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FY 2016 ANNUAL REPORT

June 9, 2016

REGIONAL TECHNICAL ASSISTANCE CENTER FOR SOUTHERN AFRICA—AFRITAC SOUTH (AFS)

International Monetary Fund

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Foreword

Message of Mr. Mukuli Chikuba (Zambia), Chairman of the AFS Steering Committee

AFS completed its fifth year of operation in FY16, having made further progress towards the medium-term outcomes set for phase I. Positive and early response by AFS to address new and emerging priorities of countries with good implementation record led to a further expansion in the volume of technical assistance (TA) delivered. Projects in fragile and low-income countries remained a key focus for the center through the year.

As indicated in this report, the key milestones achieved in FY16 show further advancement towards improved macroeconomic frameworks in the region. These include the adoption of good international practices and principles; progress on institutional reforms; improvements in operational frameworks for fiscal and monetary policy; the enhancement of macroeconomic data quality; and improvements in transparency and reporting across the areas of public financial management, revenue administrations, statistics, monetary policy operations, and financial sector supervision.

The work of AFS during the year also reflects an increased focus on regional initiatives to complement direct TA delivery. In addition to the AFS-funded seminars, direct TA was complemented by joint seminars with other TA providers, in-house and customized in-country workshops during TA missions, remote mentoring, and a peer learning program that included professional attachments and the participation of country officials in select AFS TA missions. These innovations enabled AFS to respond with more agility to specific needs of member countries. The contribution of country agencies to such initiatives, in particular by hosting professional attachments, goes a long way in instilling good practices and in supporting reforms.

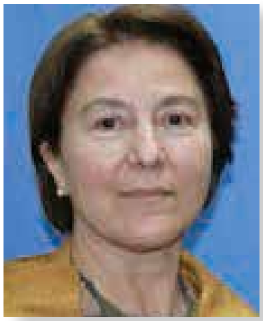
Through FY16, AFS continued to work closely with donors and regional partners to track changes in TA priorities. The additional flexibility on resource allocation endorsed by the Steering Committee this year is likely to further enhance TA delivery going forward. Feedback from external partners and regional institutions through existing channels will help maintain the relevance and effectiveness of the AFS TA program.

In collaboration with the IMF's African Department, the Institute of Capacity Development and other functional departments, AFS implemented the bulk of the recommendations of the mid-term external evaluation. This was a key achievement for the center in FY16. The few remaining recommendations, which need a longer time horizon for implementation, are expected to be executed in the early years of AFS's phase II.

With the new phase starting on May 1, 2017 and the growing challenges facing the region as indicated in the report to the Steering Committee released in April 2016, it is essential for member countries and donors to review the funding level for phase II. Most countries need to address monetary and fiscal challenges arising from lower commodity prices, sluggish global growth and export demand, tighter financial conditions, and structural bottlenecks. While supporting ongoing projects in the region, increased TA focus is needed on domestic revenue mobilization, quality of public spending, debt management, quality of statistics, and on financial deepening and stability.

I wish to thank all Steering Committee members for supporting AFS activities during the year. I also would like to wish a fruitful discussion to the IMF and AFS staff with donors and member countries on the TA priorities and the funding for phase II.

Key Messages



AFRITAC South (AFS) is now one year away from the conclusion of phase I. Over the past five years, the center has contributed to its member countries' macroeconomic institution-building by helping to develop expertise, strengthen economic structures, and implement reforms. The nature and the volume of technical assistance (TA) delivered have been adapted to meet emerging challenges, including changes in country priority needs in light of changing political and economic conditions. Strengthened coordination with development partners and a flexible approach towards the allocation of resources have allowed timely interventions by the center and demonstrated further progress on outcomes set for this cycle. Despite increasingly challenging conditions that affected the implementation of annual plans – due to both global economic developments and country-specific events – most medium-term targets have either been achieved or are likely to be achieved by the end of the cycle. This report provides an assessment of the center's achievements to date and proposes a preliminary strategy for the way forward.

AFS is now working with all stakeholders to prepare for phase II. Demand for capacity building is expected to increase in light of the region's increasingly difficult environment marked by lower commodity prices, sluggish global growth and export demand, tighter financial conditions, and structural bottlenecks. The IMF more broadly and AFS in particular will respond to this challenging environment by focusing its capacity development (CD) delivery on the priority areas of the Financing for Development agenda and the growing demand for improving standards and adopting good international practices. The strategic CD priorities of phase II will support and expedite ongoing reforms and more flexibly address emerging priorities. The mid-term external evaluation concluded the high relevance of AFS TA to the region. Sustaining ongoing efforts remains critical for member countries to make further headway. The center is making a number of proposals to further improve work-plan execution, reporting, and the engagement of relevant stakeholders.

High level engagement and ownership by country authorities, including commitment towards improving the absorption capacity of executing agencies, remain critical to enable the implementation of institutional reforms and improve efficiency, transparency, and reporting standards in the region to help strengthen policy-making. Political stability and security will clearly help towards the early realization of key outcomes in certain countries.

The execution rate of the FY16 work plan was 85 percent, reflecting some revisions in the composition of delivery. While the bulk of the TA delivery remained as originally planned, revisions of TA priorities and delays in finalizing mission timings by some authorities affected the overall execution level. The transition to a fully new team of AFS resident advisors also contributed somewhat to a temporary slowdown in TA execution plans. However, peer-to-peer learning initiatives, additional seminars to address emerging country priorities, increased in-country workshops, and strengthened collaboration with other regional TA providers in conducting joint initiatives led to strengthened execution level.

The FY17 work plan continues to focus on achieving pending milestones and outcomes set for phase I as well as to complement headquarters-led TA and development partner initiatives in member countries. Reserves set aside in the plan will fund additional TA where authorities show strong engagement. Planned seminars and courses in the topic areas remain closely linked to current TA priorities. Support towards joint seminars with regional partners to improve efficiency and share

expertise will continue alongside remote mentoring and direct engagement by resident advisors through tailored workshops during missions. About a third of the resources will support fragile and low income countries. A number of milestones have been redefined to reflect the new IMF result-based management framework.

We welcome the feedback from development partners and regional institutions who responded to our questionnaire and who made constructive suggestions in coordination meetings during missions.

1 FY refers to the IMF's fiscal year. FY16 is from May 1, 2015 to April 30, 2016.

List of Abbreviations

ACBF	African Capacity Building Foundation
ACP	Africa Caribbean and Pacific
AFS	Africa Regional Technical Assistance Center South
AGID	Administration Générale des Impôts et des Douanes
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ASYCUDA	Automated SYstem for CUstoms DAta
ATAF	African Tax Administration Forum
ATI	Africa Training Institute
BCP	Basel Core Principles
CABRI	Collaborative African Budget Reform Initiative
CCBG	Committee of Central Bank Governors
CFS	Consolidated financial statement
CIFA	Country integrated fiduciary assessment
COA	Chart of accounts
COMESA	Common Market for Eastern and Southern Africa
CPMI	Committee on Payments and Market Infrastructures
CPR	Consolidated prudential regulations
EAC	East African Community
EC	Economic Census
EIB	European Investment Bank
ESAAG	East and Southern African Association of Accountants General
ESC	External evaluation subcommittee
EU	European Union
FAD	IMF Fiscal Affairs Department
FSAP	Financial Sector Assessment Program
FY	Financial year begins on May 1
GDDS	General data dissemination standard
GFS	Government Finance Statistics
HQ	Headquarters
ICAAP	Internal capital adequacy assessment process
ICD	IMF Institute for Capacity Development
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
INE	Instituto Nacional de Estatistica (National Institute of Statistics)
IOSCO	International Organization of Securities Commissions
IOC	Indian Ocean Commission
IOSCO	International Organization of Securities Commissions
IPSAS	International Public Sector Accounting Standards
IT	Information technology
ITAS	Integrated tax administration system
LEG	IMF Legal Department
MCM	IMF Monetary and Capital Markets Department
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MoF	Ministry of finance
MoU	Memorandum of understanding
MTBF	Medium-term budget framework
MTEF	Medium-term expenditure framework
MTFF	Medium-term fiscal framework
OBI	Open budget index
PBB	Program-based budgeting
PCA	Post-clearance audit
PeBB	Performance-based budgeting
PEFA	Public expenditure and financial accountability
QNA	Quarterly national accounts
RA FIT	Revenue administration fiscal information tool
RBM	Results-based management
RBS	Risk-based supervision
RES	IMF Research Department
RM	Risk management
RTAC	Regional technical assistance center
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SARB	South African Reserve Bank
SCCC	SADC Sub-Committee on Customs Cooperation
SCBS	Subcommittee on banking supervision
SDDS	Special Data Dissemination Standard
SECO	Swiss Economic Cooperation
SNA	System of National Accounts
SOE	State-owned enterprise
SREP	Supervisory review and evaluation process
SSA	sub-Saharan Africa
ST	Short term
STA	IMF Statistics Department
WB DB	World Bank Doing Business Indicators
TSA	Treasury single account
TDF	Training and Development Forum
WCO	World Customs Organization
WEF	World Economic Forum
WEO	World Economic Outlook

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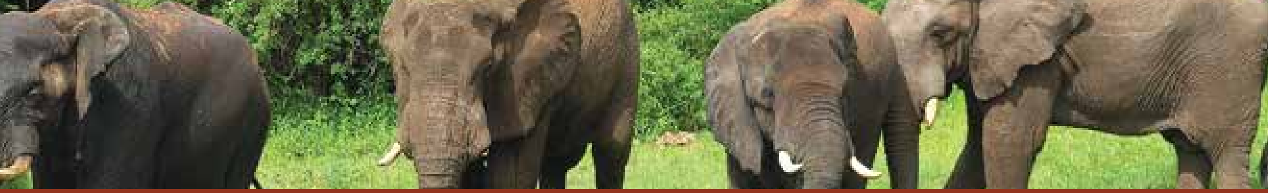


Section 1

Mid-Term External Evaluation

The mid-term external evaluation of AFS phase I, which was completed in mid 2015, acknowledged the achievement of a number of important milestones and outcomes by the center at an early stage of its operations. The center was assessed as 'excellent' on its relevance and effectiveness (outputs), and as 'good' on effectiveness (outcome), efficiency, and sustainability. TA delivery had been of significant relevance and of high quality for the region (Table 1). Consistency of the center's operations with the program document, strong alignment of TA with members' evolving needs, and the existence of a robust management and control system to monitor execution of annual work plans collectively contributed towards advancing the work program.

The evaluation made 23 recommendations, the bulk of which have already been implemented, with further actions planned in FY17 and during the early years of phase II (Annex I). Improved coordination with development partners and regional organizations has improved alignment between the center's work plan and country and regional priorities. Peer-to-peer learning initiatives and more hands-on training through additional regional seminars strongly support the regional harmonization and integration agendas. As phase I approaches completion, most outcomes are on track to be achieved. AFS has also reviewed some milestones to better align them with updated principles and manuals. Completing the implementation of the evaluation's recommendations during phase II mainly refers to actions associated with the introduction of the new IMF-wide result-based management (RBM) framework.

Table 1. Results of Mid-Term External Evaluation

	TA Areas[1]						
	PFM	RA (Tax)	RA-Customs	FSS	MPFO 2/	RSS	Overall
Relevance	3.8	3.6	3.7	2.9	–	3.8	3.7
Effectiveness	3.4	2.9	3.3	2.7	–	3.5	3.2
Effectiveness (Outputs)	3.8	3.5	3.7	3.7	–	3.7	3.7
Efficiency	3.1	3	3.2	2.1	–	3.3	3.5
Sustainability	3.2	2.9	3.1	2.8	–	2.9	3.1
Average	3.5	3.2	3.4	2.8	–	3.4	3.4

[1] PFM - Public Financial Management; RA (Tax) - Tax Administration; RA (Customs) - Customs Administration: FSS - Financial; Sector Supervision; MPFO - Monetary Policy Framework Operations; RSS - Real Sector Statistics

[2] No ratings provided as AFS started TA support under this output late in the first funding cycle.

Note: Excellent: All or substantially all objectives met. >3.5 to 4.0; Good: Majority of objectives met. >2.4-3.5; Modest:Few/minority of objectives met. 1.5-2.4; Poor: Very few objectives met: 1.0-<1.5.

Section 2

Work Programs for FY16 and FY17

Execution of FY16 work plan

The political and economic environment during FY16 continued to weigh on TA delivery. The overall execution rate turned out to be 85 percent (excluding reserves). A number of countries reprioritized reform initiatives following elections and postponed or even cancelled some planned activities which were expected to take place in FY16. AFS adapted the work plan to address new TA demands and expanded the number of tailored in-country workshops, seminars, and peer learning, all of which are in line with TA priorities. Work with other key players in the region gathered momentum through joint seminars and the participation of resident advisors as resource persons with regional partners. The pickup of momentum, however, was not sufficient to reach an even higher execution rate. Some postponed activities are taking place in early 2017. A substantial amount of resources supported initiatives in low income and fragile states.

The updated status of milestones indicates a strong advancement towards achieving the medium-term objectives (Table 2). Out of the 189 milestones set for FY16 and FY17, 130 were either met, partially met or showed good progress as of end-April 2016. The remaining milestones were mostly postponed or cancelled, which is largely explained by changes in country priorities and delays in finalizing mission timings by some authorities. A high level engagement by the authorities and strengthened coordination with steering committee members remain critical for a successful delivery of planned TA and to make further progress on the pending milestones and outcomes.

Progress on achieving FY16 milestones under each topic area shows further advancement towards meeting medium-term objectives (Annex II). Improvements in medium-term macro-fiscal and budget frameworks have supported reforms in other areas of macroeconomic management, such as (i) increased compliance with risk management frameworks by revenue administrations, (ii) strengthened risk-based supervision and monetary operations capacity at central banks, and (iii) further progress towards improving quality and dissemination of real sector statistics. The report highlights key achievements by topic area (also in the country notes - Annex IV) and progress toward outcomes in the RBM framework (Annex V).

The volume of TA across all areas varied (Table 3) with under-implementation in Angola, Comoros, Madagascar, and Zambia. Some slowdown in execution of TA activities was also noted in Mauritius, Mozambique, and Seychelles. The overall FY17 budget is about US$ 13 million as savings arising from postponements and cancellations have been reallocated to new TA demands, additional seminars (including tailored seminars in some countries), and the participation of advisors in joint training events. Professional attachment programs are being successfully implemented and are expected to expand further depending on the response from the authorities. Success largely depends on the willingness of member countries with more advanced systems in place to accommodate officials from the region. Going forward, AFS will consider professional attachments beyond the AFS region subject to the availability of funding.

In FY16 three sets of amendments to the work plan were endorsed by the Steering Committee, which catered to activities carried forward from FY15 and new activities at the request or with the agreement of the authorities.

Table 2. Status of milestones as at end of FY16

TA Areas	Milestone Set for end-April 2016	Milestone Set for end-April 2017	Met	Partially Met	Good Progress	Other (No progress, postponed or cancelled)
FSS	19	5	17	0	1	6
MPFO	16	7	2	2	10	9
PFM	38	17	21	4	13	17
RA (Customs)	19	10	6	0	18	5
RA (Tax)	20	6	12	1	2	11
RSS	23	9	11	1	9	11
Grand Total	135	54	69	8	53	59

The revisions also allowed for an early engagement of the new AFS resident advisors with member countries and some reallocation between long-term and short-term expert inputs, both of which are important in the transition. Annex I provides details on the execution of TA by sector.

A more flexible approach—as endorsed by the Steering Committee—to reallocate resources within and across countries is likely to improve execution of planned TA, address postponements more effectively, and improve time use by resident advisors. Experience shows full endorsement of AFS proposed amendments to annual work plans by the Steering Committee given prior consultations with countries on any changes and alignment of the activities to outcomes set in the program document. As from FY17 AFS will submit proposals for amendments for endorsement during the month following the first three quarters of the financial year and provide a final update at the Steering Committee meeting. The center will circulate the revised work plan and will continue to provide information on execution through current channels - quarterly bulletins, press releases, debriefings by resident advisors at the end of missions, and through country visits undertaken by the center coordinator.

Overview of work program for FY17

In FY17 AFS will continue to complement HQ-led TA and donors' initiatives in the region to help member countries achieve the timely implementation of ongoing and new reforms (Table 4 indicates the planned person-weeks for FY17). The focus will be on achieving pending milestones and outcomes where there is significant ownership by the authorities (Annex III).

In February 2016, AFS recruited a resident advisor for financial market infrastructures (FMIs) and payments, a shared resource with the IMF African Regional Technical Assistance Center-East. This will allow AFS to better support member countries' efforts to modernize their national payments system, build oversight capacity, and achieve compliance of the FMIs with international standards and the CPMI-IOSCO Principles for financial market infrastructure.

Regional seminars, which receive a strongly positive response, are expected to expand, with some new topics that respond to emerging TA priorities for the region. These include debt sustainability, taxation for extractive industries, application and use of the revenue administration fiscal information tool (RA-FIT), KYC/AML, monetary policy

Table 3. FY16 allocation by country, in field person-weeks

	PFM		RA (Tax)		RA (Customs)		FSS		MPFO		RSS		Total	
	Plan	Act	Plan	Act	Plan	Act	Plan	Act	Plan	Act	Plan	Act	Plan	Act
Angola	10	6	2	1	2	2	6	2	16	12	4	4	40	27
Botswana	17	25	9	9	3	4	2		6	10	3	3	40	51
Comoros	8	6	4		3	6	4	2			3	1	22	15
Lesotho	21	14	3	6	3	3	6	5	2	1	7	8	42	37
Madagascar	22	12	7	2	4	5	6		30	14	3	5	72	38
Mauritius	12	9	2		3	3	8	5	6	5	3	2	34	24
Mozambique	5	13	2		2		2		16	9	2		29	22
Namibia	13	6	5	8	3	5	4	3			2		27	22
Reserve	17		6		5		9		12		5		54	
Seychelles	14	9	4	6	9	8	8	9	26	17	2	4	63	53
South Africa		5							2	2			2	7
Swaziland	12	15	7	7	7	9	4	6			4	4	34	41
Zambia	18	9	4		4	3	4	5	12	8	5	4	47	29
Zimbabwe	10	9	3	8	6	5	6		2			2	27	24
Regional [1]	18	17	3	7	1	5	11	17			6	8	39	54
Grand Total	197	155	61	54	55	58	80	54	130	77	49	45	572	443

[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.

communication, payment systems oversight, CPMI-IOSCO Principles for financial market infrastructures, and integrity in customs/tax administration. AFS will continue to support joint seminars with the Africa Training Institute (ATI), the other four AFRITACs, and regional institutions, including the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), the South African Reserve Bank, and other central banks to expand the reach of capacity development. These will be in line with the IMF's approach to building synergies for the effective delivery of capacity development at large. In parallel AFS will continue to support the participation of its advisors as resource persons in joint initiatives—including those led by regional organizations—remote mentoring, and more direct engagement through tailored workshops during missions to provide hands on coaching.

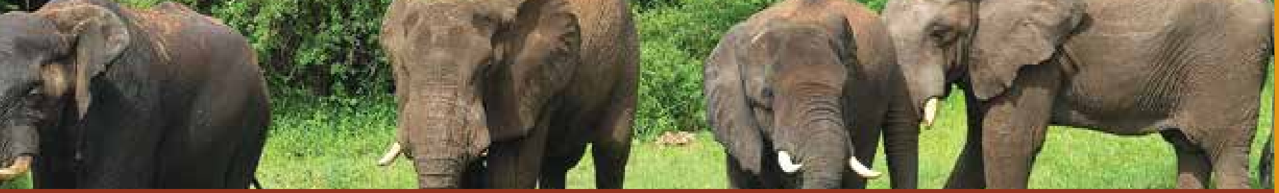
A significant amount of resources has been put on reserve to support new and unforeseen TA demands from countries, allowing for the flexibility to respond to countries with good traction. A significant amount of resources will be channeled towards fragile and low-income countries.

In light of the proposed new IMF result-based management framework, which is expected to become operational in FY18, a number of milestones (mainly in the areas of PFM and monetary operations) have been reviewed based on the new indicators /measures of progress. They incorporate the old milestones with a longer time horizon for implementation.

Table 4. FY17 Allocation of resources, in field-person-weeks

	PFM		RA (Tax)		RA (Customs)		FSS		MPFO		RSS		Total	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.
Angola	10	10	2	2	5	5	5	5	10	10	7	7	39	39
Botswana	15	15	3	6	1	1	7	7	7	11	3	3	36	43
Comoros	10	10	11	11	7	11	4	4			2	2	34	38
Lesotho	13	13	4	4	4	4	4	4	0	2	5	5	30	32
Madagascar	16	16	4	4	5	5	6	6	27	27	5	5	63	63
Mauritius	17	17	4	4	2	2	8	8	8	8	3	3	42	42
Mozambique	10	10	2	4	2	2	2	2	16	16	4	4	36	38
Namibia	14	14	9	9	8	4	4	4	0	3	4	4	39	38
Reserve	5	5	5	5	6	2	8	8	16	4	4	4	44	28
Seychelles	10	10	4	4	5	11	4	4	10	12	3	3	36	44
South Africa	12	12							1	1			13	13
Swaziland	10	10	6	6	6	6	3	3	0	3	3	3	28	31
Zambia	15	15	4	4	11	11	4	4	10	10	4	4	48	48
Zimbabwe	18	18	7	7	5	5	4	4	4	4	3	3	41	41
Regional 1/	30	30	6	7	4	6	11	11	11	11	7	7	69	72
Grand Total	205	205	71	77	71	75	74	74	120	122	57	57	598	610

[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS staff.



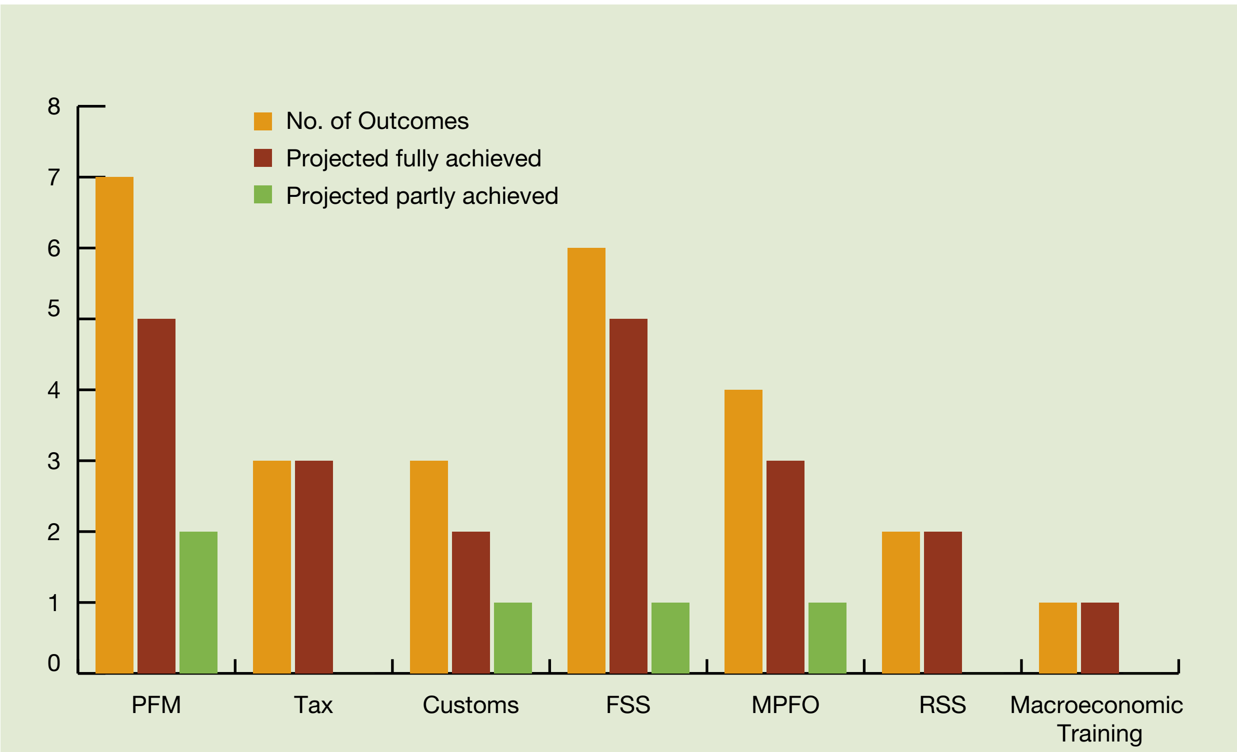
Section 3

New Results-Based Management (Rbm) Framework

With the execution of the FY17 work plan, AFS is expecting to broadly meet most of the key outcomes set for the first cycle. In spite of challenges in the first years, the center has made significant progress on outcomes. Figure 1 highlights AFS's assessment of the likelihood of achieving the outcomes set under each topic area. Out of 26 outcomes, AFS is expecting to fully achieve 21 and partially meet the remaining by end of phase I. The partially-met result is mostly explained by factors that constrained timely execution, as noted above, and changes in countries' macroeconomic conditions during FY12-16, including from depressed global growth and a drop in commodity prices.

With the planned start of phase II in May 2017, AFS is scheduled to adopt, as soon as it is implemented IMF-wide, a new RBM framework, which includes a harmonized set of strategic objectives, outcomes, and related indicators that will be used for all technical assistance delivered by the IMF regardless of financing model. In parallel, the framework will be linked to the Capacity Development Information Management System (CDIMS), the aim of which is to standardize the processes related to financial reporting and to improve the coverage and dissemination of information. The design of the RBM framework and CDIMS takes into account the information needs of RTAC stakeholders. Linking the new RBM system to CDIMS will help aggregate results across topics, countries, and TA delivery modes, and will improve information sharing with all AFS stakeholders. A thorough preparation for phase II that will include the robust implementation of the new RBM framework and CDIMS in the AFS work plan will require an RBM resident expert for one year. Such an RBM expert in FY17 will train AFS advisors on the monitoring, reporting, and IT requirements of the new system to ensure that all requirements become operational from the start of phase II. S/he will also work closely with the relevant departments at IMF headquarters and with other RTACs to ensure that the implementation of the new framework is done in a consistent manner.

Figure 1. Progress against outcomes by end FY17



Section 4

Emerging Strategic Priorities For Phase II (May 2017–April 2022)

While achievements to date indicate the critical role of AFS in helping build macroeconomic institutions, an increasingly difficult environment marked by declining commodity prices, sluggish global growth and export demand, tighter financial conditions, and structural bottlenecks are likely to put at risk progress made on numerous fronts by AFS countries. The AFS regional and member-country strategies will be anchored on the identified topic areas expanded below and will be adapted to each country's implementation and absorption capacities. The aim is to improve on the delivery of capacity development (Section 5). Such strategies will be discussed with all key stakeholders and will anchor the complementary allocation of capacity development delivered by AFS and IMF headquarters.

In the years ahead, capacity building will remain critical to drive much needed reforms identified by the IMF/AFS and cooperating partners as identified in the global financing for development agenda and defined in the Sustainable Development Goals. In this context, key topics will include increasing domestic resource mobilization, better spending of public resources, and enhanced dissemination of macroeconomic statistics, with a particular focus on support to fragile states. The objectives of AFS's phase II will be driven by the regional and country strategic capacity-building priorities and will be informed by phase I through the residual implementation of the mid-term external evaluation recommendations. Allowing the flexibility during the cycle to reallocate resources within and across TA areas will provide the agility to ensure better traction and an improved implementation of reforms.

In phase II AFS TA will help countries implement pending reforms that risk further delays or even possible halting by some member countries. TA in some areas also needs reorientation towards addressing emerging priorities. Improving growth prospects and building buffers for hard times will require continued efforts towards improving legislative frameworks, strengthening institutional/governance frameworks, and adopting good international standards/practices. AFS provides focused TA, together with HQ, to support countries' efforts in these areas. AFS will seek to further integrate TA and training and foster peer learning between countries.

Heavy dependence on limited revenue sources and declining fiscal revenues pose significant macroeconomic risks for some AFS countries and therefore calls for implementation of reforms aimed at diversifying the fiscal revenue base, further strengthening tax and customs administrations to reduce tax gaps. Improving budget execution, controls, public sector investment programs, asset/liability management, and strengthening the efficiency and effectiveness of revenue administrations can improve the fiscal outlook considerably. Most AFS countries need to continue reforms aimed at further segmentation of the taxpayer population, improving compliance levels and taxpayer services, make progress on regional harmonization issues, and implement the WTO Bali Trade Facilitation Agreement and regional integration agendas under COMESA, SADC, and SACU. AFS, in coordination with FAD and LEG will cover these areas where demands for TA and capacity building are likely to expand.

On monetary operations, AFS countries need to consolidate the substantial progress made in phase I. Developing an inflation forecasting analysis framework and improving communications at the level of central banks remain key priorities. In this context, AFS TA will also be needed to ensure that financial market infrastructure supports the development and smooth function of primary and secondary financial markets. In the financial sector supervision area, key priorities over the long term are to enhance risk-based banking and macrofinancial surveillance, deepen microprudential supervision, and progressively adapt to emerging needs and challenges, especially in the areas of stress testing, risk based supervision, and consolidated and cross-border supervision. AFS, in coordination with MCM, will support countries to make further headway on these fronts.

Strengthening the compilation and dissemination of macroeconomic statistics across AFS countries remain relevant in phase II for facilitating macroeconomic policy development and monitoring. The quality and timeliness of data, especially for the real sector, remain key priority for the region. AFS will also help improve surveys and censuses and rebasing GDP where relevant. AFS together with STA will fill the gaps in these specific areas. To enhance transparency, AFS will also support countries

to adhere to international data dissemination standards. In this connection, the focus will be on producing and disseminating national accounts and price statistics, meeting the requirements of the SDDS and SDDS Plus.

A transition to new standards, systems, and methodologies in the priority areas continues in parallel. These include the implementation of latest standards and/or principles in public investment management assessment (PIMA), public expenditure and financial accountability (PEFA), international public sector accounting standards (IPSAS), system of national accounts (SNA), government finance statistics (GFS), standards being formulated by international bodies as the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB) , and the International Accounting Standards Board (IASB).

AFS countries will need to strengthen the skills of government officials on an on-going basis to be able to fast-track implementation of reforms and make a transition towards new improved methodologies, systems, and standards. Skills upgrading will be needed for both experienced staff and new entrants. The level of over-subscription to AFS seminars and courses clearly indicates the high relevance of the topic offered by AFS.

Strategic medium-term priorities for phase II under each topic area of AFS include:

Public Financial Management:

The primary objective will be to further support the implementation of resilient PFM systems necessary to address on-going economic and development challenges. At the same time, the implementation of international PFM standards (such as those related to fiscal reporting and transparency) will foster the development of relevant practices and regional convergence.

The targeted level of compliance with international standards will depend on each country's specific context, including: country PFM reform priorities, the relevance of particular PFM reforms (e.g. revenue forecasting volatility or level of fiscal indiscipline), available capacity, and the willingness of countries to adopt change. Where capacity constraints are severe, or recognition of the need for change is weak, the focus will be on ensuring at least minimum standards are achieved over the program period. Where needs, capacity, and change motivation are stronger, more advanced principles and standards may be targeted. This approach recognizes the existence of different groups of countries in the region with varying PFM priorities and capabilities as well as the importance in ensuring effective alignment with other reform efforts and conditions (e.g. civil service reform, transparency and governance, recourse constraints). Attention will be given to aligning AFS inputs to that from other development partners, to ensure synergy and avoid unnecessary duplication in PFM reform.

Key focus areas will include: the capacity of Ministries of Finance/National Treasuries to respond to PFM challenges and meet emerging PFM standards; ensuring the production of a credible and comprehensive medium term fiscal (MTFF) and budgetary frameworks (MTBF); improved budget execution and financial control; more effective public investment management; more comprehensive and transparent fiscal and financial reporting; improved cash and debt management; and, improved analysis and management of fiscal risks. Improvements in these areas should facilitate fiscal consolidation, improved allocation of resources, particularly in the area of public investment management, improved efficiency in relation to financial and internal controls, and enhanced accountability for resource use.

Revenue Administration:

In phase II the majority of revenue administrations will have largely dealt with organization issues and bottlenecks. However, the leadership and management of reforms is still of low maturity or non-existent in some countries. This will remain a priority area to strengthen if implementation is to improve and to help guarantee sustainability of TA outcomes. Resources and much attention will be on improving voluntary compliance of taxpayers and engendering a transparent and fair tax system for all. Building and implementing compliance models is of high priority. Along with the models comes the development of capacity of staff to effectively manage compliance. Industry specialization is one area that needs attention to help ensure compliance by some industries.

Tax:

Many administrations in the AFS region still operate ad hoc project and program practices with no standards or tools to ensure success and sustainability. Key focus areas, in order of priority, will include:

- Development of compliance risk management frameworks/ models, including related data mining and analysis and third party data matching capacity for an optimized and integrated source of revenue compliance intelligence. This is key to enhancing domestic excise collection and to ensure an effective deployment of finite resources for optimal impact by Revenue Administrations.
- International taxation capacity-building to address base erosion and profit shifting (BEPS) challenges and implement the latest OECD recommendations. This is necessitated by the fact that many countries in the region have an undeveloped tax treaty network base, low skills on managing compliance of taxpayers based in multiple tax jurisdictions and have laws that do not support transparency on exchange of information for tax compliance purposes. At the same time, a balance needs to be struck between addressing international taxation issues and continuing to develop capacity to cope with domestic tax issues.
- Development of investigation and prosecution capacity: Key to improving transparency and fairness in the tax system is ensuring that everyone pays their fair share of tax and that those that fail to comply are subjected to the provisions of the law. Developing investigation capacity is key to unearthing evasion and avoidance schemes. Building prosecution capacity increases the prospect that evaders will be brought to book in order to enhance voluntary compliance.
- Taxation of extractive industries: Nine of the 13 AFS member countries are resource rich states, where players in the extractive industries should contribute to the national coffers to compensate for the extraction of non-renewable resources. Better capacity and specialization is required for the taxation to be effective.
- Transparency and fairness: Publicized objections and appeals process and structures.
- Small taxpayer regimes: Legislative and technical assistance on the administration of regimes for simplifying taxation of the segment.
- Further simplification of the legal framework, including harmonization of the tax administration provisions.

Customs:

- **Trade facilitation and service initiatives support voluntary compliance**
  - Effectiveness of the licensing regime for customs agents improves over time;
  - Customs laws, regulations, and guidelines are simplified and are easily accessible;
  - Active engagement with the trade community supports voluntary compliance;
  - New initiatives, such as Single Window, coordinated border management, and Authorized Economic Operator are implemented; and
  - Cargo clearance times decrease over time
- **Foreign trade operators meet their reporting and payment obligations**
  - Alignment of customs procedures (including transit) with international standards and regional integration objective improves over time;
  - An increasing percentage of cargo manifests and declarations are electronically received and processed by customs and reconciliation procedures are strengthened;
  - Traceability of goods and customs actions in the customs systems is strengthened; and
  - Self assessment is used to declare goods at customs and strengthened over time
- **Customs control during the clearance process more effectively ensures accuracy of declarations**
  - Risk-based control selectivity is applied more consistently over time;
  - The rate of physical inspections decreases over time; and
  - Effective application of procedures based on international standards for valuation, origin and the tariff classification of goods improves over time
- **Audit and anti-smuggling programs more effectively ensure enforcement of customs laws**
  - A larger share of trade is controlled progressively through a properly designed post clearance audit program;
  - The framework to control special regimes and exemptions is strengthened; and

- Effectiveness of the fight against fraud and smuggling increases over time

Financial Sector Supervision:

Capacity development needs vary substantially across AFS countries and the reform efforts in financial sector supervision and regulation are at different stages. Having achieved substantial progress in strengthening the financial sector regulatory/supervisory architecture in phase I, member countries will need to consolidate the gains and ensure the sustainability of the reform process. Benchmarking regulatory/supervisory standards to international best practice will remain a top priority. Capacity building in phase II will include:

- **Regulatory & Prudential Framework:** Develop and strengthen banking regulations and prudential norms on capital adequacy, asset quality, large exposures, corporate governance, etc. Enhanced compliance with the Basel Core Principles for Effective Banking Supervision will be a strategic objective. There is a need to amend banking legislation in a number of countries as laws have become obsolete and do not contain adequate provisions relating to crisis resolution, including timely corrective actions and deposit insurance.
- **Risk Based Supervision:** AFS will strive towards implementing/upgrading RBS systems in member jurisdictions. This will involve establishing supervisory manuals and processes and issuing/updating risk management guidelines to banks. Regulatory and supervisory frameworks will need to be closely aligned with RBS principles. On-site inspections and off-site analysis will need to be performed based on the risk profile of banks and its impact on the system.
- **Basel II/III implementation:** AFS will assist towards full implementation of the three Pillars of Basel II. As the BCBS is revising the standardized approaches for credit, market and operational risks, a need in phase II will be to ensure that these revised approaches are assimilated by the supervisors and implemented across the banking system in the countries. Certain countries which have completed Basel II implementation will be assisted in implementing select elements of Basel III thereby adopting a macroprudential overlay of supervision.
- **Adoption of stress testing framework and enhancing financial stability:** A number of countries have expressed a desire to adopt and implement a stress testing framework as part of their financial sector supervision agenda. Those countries which have implemented stress testing would like to enhance the framework with a view to assessing systemic risks to financial systems and formulating measures to mitigate these risks. Moreover AFS will assist in developing institutional frameworks for financial stability analysis and reporting, which is a growing area for technical assistance.
- **Enhanced cross border supervision:** Cross border supervision through enhanced levels of collaborative activities and supervisory information-sharing is the need of the hour in Africa, especially in view of the activities of pan-African banks in recent years. AFS will engage member countries in signing multilateral MOUs and holding supervisory colleges in an effective way in terms of the revised BCBS principles in this regard.
- **Nonbank supervision:** Demand for the supervision of nonbank financial institution is expected to increase, especially in the context of higher levels of risk migrating to shadow banking in the wake of the tighter regulation of the banking sector. The need for better supervision of nonbank financial institutions has been underscored in many countries in sub-Saharan Africa and AFS will extend support in developing capacity in this area.
- Developing capital markets: Money and capital markets are developing in a number of countries (Mauritius, Namibia and Zambia, for example), depending on size and market interest. An important strategic consideration will be whether these markets continue to develop unilaterally or whether the authorities wish to facilitate the development of a regional framework. In either case, support for robust market oversight could be offered by AFS.

In addition to the areas listed above, which require building capacity at the supervisory staff level, AFS will help strengthen institutional capacity for crisis mitigation and management. In particular, countries will need to strengthen their capacity regarding early warning systems, crisis simulation, stress testing, and bank resolution, and to put in place appropriate safety net arrangements. Capacity building needs are particularly large in the low income countries in the region. AFS will help strengthen capacity in these areas through seminars, workshops, on-the-job training, and peer learning. Regional fora will be actively utilized in the training process.

AFS will cooperate with regional organizations, such as the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), to enhance the delivery and increase the reach of TA in the region. Particular importance will be placed on regional cooperation for the regulation and supervision of banking and the regulation and oversight of nonbank financial institutions and markets. Under the SADC regional integration agenda, member countries aim to harmonize legal and regulatory frameworks in the financial sector. Since AFS membership broadly overlaps with that of SADC, AFS TA will support integration efforts by ensuring consistency across countries in an effort to ensure robust and resilient financial sector supervision in the region. In addition, AFS will support broader efforts to strengthen crisis preparedness and management as well as home-host supervisory coordination mechanisms where relevant.

Monetary Operations:

Having achieved substantial progress in strengthening monetary operations in AFS countries during phase I, the focus in phase II will be to consolidate the gains and ensure the sustainability of the reform process. Efforts at modernizing monetary policy frameworks, including developing inflation forecasting analysis and the communication capacity of central banks, will remain a priority. TA will also help strengthen monetary policy operations in central banks as well the development and functioning of primary and secondary markets. The addition of a shared resident advisor in financial markets infrastructure and payments will also allow AFS in phase II to lend greater support to member countries' reform efforts on their national payments systems.

The sustainability of reforms in the area of monetary policy analysis and inflation forecasting will require further capacity building in several areas depending on the level of the individual central bank. While some central banks have already developed core models which they regularly use for forecasting and as inputs to monetary policy decisions, others have not yet started. TA in this area has been well received and is highly demanded in the region. It is therefore envisaged that AFS will continue to assist the targeted countries in this area. While central banks have shown some progress in this area, there are practical challenges to overcome before implementing reformed frameworks. These challenges include: un/underdeveloped analysis and forecasting capability; an unclear designation of responsibilities; internal work procedures and decision-making processes; and inter-agency information sharing. Several of the banks currently work with hybrid systems—both keeping a monetary target and guiding short-term interest rates by using either a policy rate and/or a rate corridor. For countries that want to move to inflation targeting, these hybrid systems are often preparatory, frequently demanding hands-on TA to ably manage them.

A key for sustaining reforms in the areas of monetary policy analysis and implementation and inflation forecasting is effective communication by the central bank. This is a topic of increasing demand as central banks in the region aim to increase transparency. Given that effective communication is crucial for a successful implementation of monetary policy, central banks in the region need to further strengthen their capacity in this area, including forming communications units and preparing strategy documents for implementation within the work program of the bank. In phase II, AFS will provide TA to assist central banks to improve communication.

The development of well functioning primary and secondary financial markets that will enable the effective transmission of monetary policy to the economy will remain a focus in phase II. Financial depth is relatively low in many AFS countries and often even primary markets are not well developed. Financial market infrastructure – funds transfer, central securities depository and securities settlement systems, in particular- also needs to be introduced or enhanced, auction platforms implemented, and repurchase agreements and rules adopted to strengthen collateral arrangements and to support the development of financial markets. AFS will seek to provide TA to develop capacity in these areas, and the role of the resident advisor for FMIs and Payments will be crucial to these efforts.

AFS will complement its in-country monetary operations and payment systems TA with regional seminars,

workshops, on the job training and peer learning. This approach recognizes that AFS countries have varying priorities and capabilities, provides opportunities for central bank staff to share with their peers, and ensures an effective alignment with other reform efforts (e.g. central bank independence, transparency, fiscal frameworks). Attention will be given to aligning AFS inputs to inputs from other development partners, to ensure synergy, and to avoid unnecessary duplication in the delivery of TA to the central banks.

Real Sector Statistics:

Building on the progress already achieved, AFS will continue to assist member countries to improve national accounts and price statistics to adhere to international standards while recognizing the diversity of situations in recipient countries. In addition, an increased focus will also be on the compilation of statistics that facilitate policy decision makers on a timely basis, such as, high frequency indicators (HFIs) and quarterly national accounts.

The objective of TA in the macroeconomic statistics area in phase II will be to strengthen the methodological soundness, accuracy in compilation, and timely dissemination of macroeconomic statistics, especially national accounts and price statistics. The main components of TA will include:

- improving the methodological soundness of statistical outputs;
- improving the accuracy and reliability of macroeconomic statistics; and
- strengthening statistical serviceability and accessibility.

Depending on the level of development of statistics, resources, and absorption capacity, AFS will consolidate core statistics such as annual GDP and CPI, while continuing to expand the range and timeliness of economic statistics such as quarterly national accounts statistics or other relevant price indices.

To improve the methodological soundness, AFS will assist countries to meet the latest international recommendations, such as the System of National Accounts 2008, and regular updates of the base year used to measure GDP estimates in volumes. Improvements in the CPI based on the Practical Guide to Producing Consumer Price Indices 2009 will include enhancement of the geographic coverage or regular updates of the basket of goods and services.

To strengthen statistical serviceability and accessibility, AFS will continue to support the expansion of data coverage, periodicity, and timeliness of macroeconomic statistics according to the international dissemination standards, such as, IMF Enhanced General Data Dissemination System (e-GDDS), the Special Data Dissemination System (SDDS), or the SDDS Plus. For example, the SDDS requirements include the compilation and timely dissemination of quarterly GDP estimates associated with a monthly production index. In price statistics, the SDDS recommends the development of a PPI or wholesale price index.

A timely release of relevant data and metadata is a key aspect to ensure proper and efficient use of national accounts and price statistics to support policy making and to provide high quality economic statistics to the community. Regular updates of the methodological information reported in the e-GDDS, SDDS or SDDS Plus describing statistical characteristics, scope, and limitations will be further encouraged and supported.

In order to ensure the sustainability of statistical developments, local needs and capacities will continue to be considered in TA plans. Capacity building will be supported by formal and hands-on training.

TA will be carried out in close coordination with other TA providers both among IMF TA providers and other donors to create synergy and enhance the effectiveness of TA delivery. AFS statistics work will be coordinated with other relevant AFS TA sectors and IMF headquarters projects (e.g. STA DFID projects). Other coordination with development partners will include the World Bank and relevant regional organizations through the conduct of complementary assistance, training, and funding of exchange programs between national statistics offices.

Section 5

Improving Capacity Development Delivery

Cross cutting issues

Political and Economic Environment

Heightened political risks materially increase the volatility of demand for technical assistance. This has been particularly apparent during phase I in some countries in the context of national elections, prolonged post-crisis instability, or increased vulnerability due to civil unrest. These conditions have resulted in significant changes in government reform priorities, new or revised institutional and staffing arrangements, security concerns, and/or limited access to key reform stakeholders. As a result, it has been challenging for the authorities to adhere to the annual TA plan agreed at the start of the year.

Changing external economic conditions also materially affect the nature of the TA required. This has been particularly apparent in the PFM area. Most countries within the region are vulnerable to changes in global economic conditions, including in commodity prices, credit markets, and exchange rates. Such changes affect levels of fiscal revenue (e.g. import/export taxes, aid flows, tax and customs union receipts) and the expenditure and financing frameworks (e.g. interest rates, debt denominated in foreign exchange). The ability therefore to pursue a sustainable fiscal policy framework consistent with the achievement of planned public sector service delivery or public investment objectives is diminished. During phase I a number of countries, including both fragile states and resource rich countries (Angola, Botswana, Comoros, Madagascar, Lesotho, Mozambique, Swaziland, Zambia, Zimbabwe) had to re-focus from long-term institution-building PFM TA to the short-term management of declining revenues, over-expenditure, diminished liquidity, and arrears, as well as deficit and debt reduction.

For phase II AFS proposes to ensure planned TA is even better aligned with country priorities. This will entail closer consultation with country authorities and IMF country teams in the preparation of credible annual work plans. Moreover, AFS will need: (i) greater flexibility in TA plans to allow easier movement of resources between countries and TA activities; and (ii) sufficient contingency reserves to respond to variations in country requirements arising from more volatile political and economic conditions. The higher flexibility and reserves will be subject to a stronger results-based agenda as provided under the new RBM framework being adopted for phase II.

Engagement and Coordination

High level country engagement and coordination are preconditions for successful AFS TA delivery. In phase I coordination between key stakeholders (AFS Steering Committee, country authorities, development partners, and AFS staff) was established, but has not always been sufficient to ensure strong ownership, engagement, and mutual accountability for results in countries or specific institutions. Lack of senior level engagement has constrained countries' ability to effectively pursue and implement reform recommendations.

For phase II AFS proposes to strengthen coordination and engagement by key stakeholders. Specific measures will include greater interaction with Steering Committee members on program design and monitoring, including earlier and more focused reporting and results evaluation. AFS resident advisors will engage more actively with developing partners to identify additional TA and training support to supplement the adoption and implementation of agreed reforms. TA providers represented on the AFS steering will be requested to proactively support this effort, for example by sharing information about their work with committee members.

Absorptive Capacity

The limited availability of necessary human capital to implement and sustain reform has also constrained reform efforts. During phase I it has proven challenging for some member countries to respond to recommendations involving structural changes or additional staffing. This is particularly true in areas where more advanced standards, methodologies, and processes are being considered. However, reform is dependent on the availability of suitably skilled and experienced managers and functional and technical staff. There are areas where civil service reform or organizational restructuring will need to be prioritized in order to rationalize institutional structures and meet staffing needs required for reforms.

For phase II AFS proposes to highlight further the importance of recognizing absorptive capacity and the need for complementary organizational reform efforts. Recognizing that AFS includes diverse groups of countries (resource rich, aid dependent, emerging markets) and institutions, greater attention will be paid to aligning reforms with absorptive capacity. In addition, while addressing technical challenges will remain at the core of TA efforts, more explicit attention will be acknowledged about the need to ensure these efforts are complemented by the necessary human resources and systems management changes.

CD Delivery

Member countries have expressed an increasing demand for a more hands on approach to TA delivery. In phase I the focus of TA was to: (i) undertake diagnostic assessments in the topic areas; (ii) support the design, development, and revision of contextually appropriate reform programs; and (iii) identify prioritized actions to implement reform. To enhance sustainability, in the context of a realistic consideration of absorptive capacity, increasingly emphasis is being placed on providing pragmatic how-to assistance and related capacity building support (including training and sharing of experience).

For phase II AFS proposes to focus more on developing sustainable capacity and reduce the need to rely on continuous support from external assistance. The objective will be to try to reinforce the responsibility and accountability of senior country officials to pursue prioritized and focused reform and to create learning capacity within target institutions that can support managers to lead reform.

Section 6

Collaboration with Partners

Steering Committee and Development Partners

AFS always looks for ways to further improve its communication with the Steering Committee and its larger universe of stakeholders. As of FY15, TA-related information, including TA reports and mission plans, is disseminated on a regular basis through the center's secure website. All country representatives have been requested to register to access the available information. Advanced mission notifications and end-of -mission partner coordination meetings by the center coordinator and resident advisors provide another important channel through which AFS coordinates with partners. Press releases are posted on the AFS public access website on the last day of most AFS regional seminars http://www.southafritac.org/news-events/

One can follow news and developments on the IMF's regional technical assistance centers (RTACs), including AFS, on the recently launched accounts Twitter: https://twitter.com/IMFCapDev/ and Facebook: https://www.facebook.com/IMFCapacityDevelopment/. These platforms communicate joint achievements by publicizing the productive collaboration of member countries, the IMF, and development partners in RTACs, providing greater visibility to the contributions of partners, and increasing broader awareness of IMF TA and training. We invite all AFS Steering Committee members, development partners, and TA providers to engage the Fund's postings on Twitter and Facebook. The AFS communication strategy will include reaching out to the broader public to increase awareness of its activities.

A more active engagement of country representatives, including a more comprehensive representation of different government agency views, on the steering committee is likely to further improve coordination and execution of planned TA.

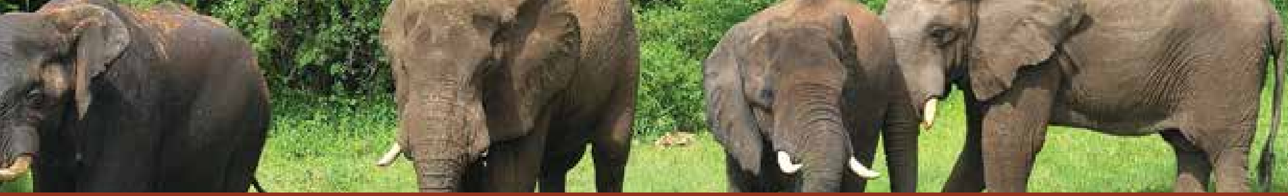
ATI, AFS and Other AFRITACs

The administrative arrangement between AFS and ATI continues to support cost savings through the sharing of facilities and experts for courses and seminars, which helps to better integrate TA and training. Joint events include bilateral and regional customized training, peer learning, participation of ATI lecturers in AFS seminars, and participation of AFS resident advisors as resource persons in seminars led by other TA providers in the region. The collaboration between ATI and AFS at the institutional level on curriculum development, course planning and delivery, and on selecting participants for some ATI courses will continue in the coming years. Collaboration with the other AFRITACs has increased and it includes joint workshops and seminars and the sharing of resident advisors between AFS and AFRITACs East and West 2 as resource persons. Such sharing has resulted in greater effectiveness and efficiency and will continue in the years ahead.

Regional Organizations

Collaboration with regional organizations is intensifying to help promote regional harmonization agendas. AFS has also started consulting key regional organizations on TA activities through questionnaires to better align annual TA work plans and capacity building programs. Such closer coordination addresses gaps and helps avoid duplication of TA, in addition to making the AFS work program more attuned to regional priorities.

AFS will continue to co-organize joint events, invite regional organizations' staff to AFS training events, and facilitate the secondment of officials to countries with more advanced systems in place. The AFS work plan also allows for the participations of its resident advisors in events organized by regional and international organizations. Regional partners include SADC, SACU, SARB, COMESA, CABRI, MEFMI, and the African Tax Administration Forum (ATAF).



Progress By TA Area

Public Financial Management

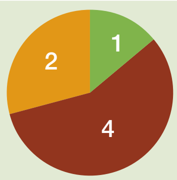
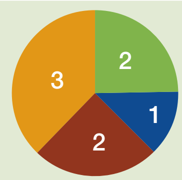
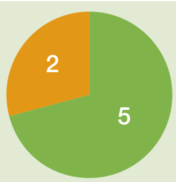
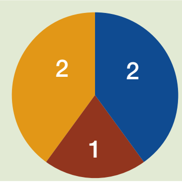
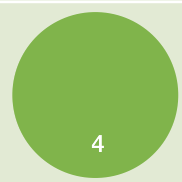
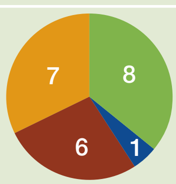
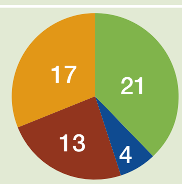
Execution of FY16 work plan

Progress on public financial management outcomes has been mixed (Table 5). TA delivery has been adversely affected by limited engagement from some countries. This has been largely due to: redefinition of government priorities following elections; security concerns and preoccupation by counterpart government institutions with regional and country specific economic challenges. The transition to a new team of PFM advisors also temporarily constrained TA delivery in the second quarter of FY16 while new PFM team members settled into their new assignments.

Of the 55 milestones set (38 for FY16 and 17 for FY17), 21 were met, 4 were partially met, and 13 showed good progress. Nine milestones were postponed (Angola, Mauritius, Namibia, Zambia, and Zimbabwe) at the request of the authorities while 8 milestones (Angola, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, and Seychelles) were cancelled due to change in priorities by the authorities.

Despite the implementation challenges faced, PFM TA inputs in FY16 contributed to significant progress in the milestones necessary to ensure the relevant outcomes (defined in Table 5) in recipient countries' PFM frameworks including:

Table 5. PFM: Summary Status of Milestones by Outcome at end of FY16

Medium-Term Outcome in the Log Frame			
Comprehensive, timely and accurate accounting and financial reporting		More effective commitment, cash and expenditure management	
Greater regional harmonization		PFM Legal and regulatory frameworks updated	
Improved internal control procedures		PFM reform strategy and action plans developed	
Medium-term macro-fiscal and budget frameworks implemented		Grand Total	

Legend:

(green)	Met
(blue)	Partially met
(dark red)	Good progress
(orange)	Postponed, no progress, or cancelled

Source: AFS Staff.

- Strengthening skills and methodologies for effective development and implementation of the MTFFs in Angola, Comoros, Lesotho, Madagascar, Seychelles, Swaziland, and Zimbabwe. This has helped these countries to improve the comprehensiveness of budget documents and formulate annual budgets within medium-term fiscal policy objectives/targets;
- Strengthening the internal control framework for Madagascar. This has helped the Malagasy Government to implement reforms in the area of the PFM and secure substantial TA support from different donors. The strengthening of the internal control will also assist the government to progressively reduce the stock of arrears and prevent the accumulation of new arrears;
- Adoption of an agreement on Treasury Single Account for Comoros. This will help the government to improve cash management and the overall effectiveness of the PFM system;
- Establishment of a competent fiscal decentralization unit within MoF and development of the PFM legal framework to enable fiscal reforms related to sub-national government in Lesotho. This will ensure an appropriate fiscal framework is in place before moving forward with fiscal decentralization;
- Establishment of a structured cash flow planning and management system, development of a new internal audit institutional framework, and implementation of cash basis IPSAS for Seychelles. This will help the government to strengthen cash management, improve budget execution, and enhance the quality and transparency of financial reporting;
- Development of procedures for short-term cash flow forecasting and a methodology for establishing benchmark liquidity buffer for Swaziland. This will help the government to strengthen cash management and bank reconciliation. A revised draft of the PFM Act regulations has also been developed. This to precede the new PFM act that has been submitted to Parliament for approval;
- Strengthening the capacity of fiscal forecasting and risk management, and producing a Fiscal Risk Statement for Mozambique. This will help the government to improve the comprehensiveness of budget documents and to prepare the annual budgets based on disclosed potential fiscal risks;
- Implementation of cash basis IPSAS and implementation of the Treasury Single Account for Zambia. This will help the government to enhance the quality and transparency of financial reporting, and to strengthen cash management and bank reconciliation;
- Strengthened capacity of South African Parliamentary Budget Office to review the budget framework.

Regional capacity development events and peer learning

In FY16, AFS held five regional training and technical cooperation events in PFM, in cooperation with or the strong participation of regional organizations. In August 2015, AFS in collaboration with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), supported the delivery of a workshop on Public Expenditure and Financial Management for MEFMI member countries in Windhoek, Namibia. The workshop provided participants drawn from ten countries in the MEFMI region (of which seven are in the AFS constituency) with an understanding of key aspects of: (i) public expenditure management and control including: the links between macro-fiscal frameworks, MTEF and budget formulation processes; and (ii) public expenditure management and financial management systems. Two MEFMI fellows also participated in the workshop for capacity building purposes as well as to facilitate specific sessions. Two joint events took place on managing public natural resource wealth, which is a topic in very strong demand by AFS member countries (Box 1).

In November/December 2015, AFS conducted a regional workshop on improving fiscal and statistical reporting. The event brought together government officials from nine AFS member countries and the East and Southern Association of Accountants General (ESSAG). The experts shared their knowledge and experiences of creating the preconditions necessary for building commitment and capacity for adopting IPSAS and the methodology of the 2014 Government Finance Statistics Manual (GFSM2014), and for developing appropriate roadmaps for managing and monitoring implementation. Specific attention was given to key capacity development requirements, sequencing, and resolution of the challenges identified by participants. Participants discussed the importance of individual country contexts in determining the pace of adoption of standards and highlighted a range of legislative, institutional, and

Table 6. Public Financial Management--Resource Allocation for FY16, in field person-weeks

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Outcome 5		Outcome 6		Outcome 7		Reserve		Total	
	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.
Angola							10	6									10	6
Botswana	6	9					8	11	3	5							17	25
Comoros							5	4	3	2							8	6
Lesotho	2						6	6	5	1			8	7			21	14
Madagascar					6	4	8	2					8	6			22	12
Mauritius				5			5				7			4			12	9
Mozambique								6	5	7							5	13
Namibia		6							5		8						13	6
Reserve															17		17	
Seychelles	3	3					8	6	3								14	9
South Africa								5										5
Swaziland	6	7					3	2	3	6							12	15
Zambia	4						5	5	3	3	6	1					18	9
Zimbabwe	5						3	3					2	6			10	9
Regional [1]			18	17													18	17
Grand Total	26	25	18	22	6	4	61	56	30	24	21	1	18	23	17		197	155

Outcome 1 Comprehensive, timely and accurate accounting and financial reporting
Outcome 2 Greater regional harmonization
Outcome 3 Improved internal control procedures
Outcome 4 Medium-term macro-fiscal and budget frameworks implemented
Outcome 5 More effective commitment, cash and expenditure management
Outcome 6 PFM Legal and regulatory frameworks updated
Outcome 7 PFM reform strategy and action plans developed
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff

Box 1. AFS and ATI jointly build capacity in managing public natural resources

In September 2015 AFS, in collaboration with ATI, conducted a regional workshop on Strengthening Fiscal Frameworks and Public Financial Management Systems for Managing Natural Resource Wealth. The workshop aimed to strengthen participants' understanding of the importance of designing fiscal frameworks and of strengthening PFM systems and institutions for the management of natural resources.

It provided a venue to share the experience of government officials of all thirteen AFS member countries; representatives from the Collaborative African Budget Reform Initiative (CABRI); MEFMI; the Common Market of Eastern and Southern Africa (COMESA); the EU delegation in Mauritius; and IMF staff. The participants concurred on the need for the governments in the region to implement stronger fiscal frameworks and PFM systems to address the challenges raised by the volatility of natural resource revenue and the depletion of natural resources.

In March 2016 AFS and ATI, in cooperation with the Angolan authorities and the support of AFRITACs West and West 2, held a two-week seminar on Fiscal Management of Natural Resource Wealth, Remittances, and Aid Flows. The seminar was held in Luanda, Angola, and delivered fully in Portuguese for mid-career technical officials of the Ministries of Finance and Planning and Central Banks of the five Portuguese-speaking African countries. It also marked the launching of operations for the Economic and Public Finance Management Institute (IGEF), which was created by the Angolan authorities to provide training and technical assistance to the five Portuguese speaking countries.

The seminar integrated theoretical lectures, the analysis of country case studies, and hands-on practical workshops to cover the following main topics: (i) fiscal policy and business cycles; (ii) fiscal sustainability and debt dynamics; and (iii) fiscal and institutional frameworks to manage the volatility of flows. It also contributed to building capacity in IGEF by including a "training the trainers" element with the participation of five officials from Angola's Institute.

technical challenges they face with implementation in the region.

In April 2016 AFS held a seminar on debt sustainability analysis for low income countries in collaboration with the IMF's Strategy, Policy and Review Department and the World Bank's Macroeconomic and Fiscal Management Global Practice. The seminar focused on the main principles of debt sustainability and the link to the IMF Debt Limit Policy and the World Bank Non-Concessional Borrowing Policy. Specific attention was given to the practical application of the framework by engaging participants to use the analytical tool and interpret results. Participants discussed the importance of individual country context and the macroeconomic and technical challenges they face in using the debt sustainability framework as a tool for guiding their borrowing decisions.

Overview of work program for FY17

The FY17 work program is designed to reflect the need to: (i) facilitate progress against key milestones necessary to ensure achievement of the medium term PFM outcomes in the region; (ii) respond to the emerging strategic challenges in the region including; the need for fiscal consolidation, more efficient use of limited resources particularly in respect of investment expenditure, improved fiscal discipline and more comprehensive fiscal reporting; (iii) respond to the evolving PFM principals and standards (coverage, accrual reporting, transparency, fiscal risk identification, public investment etc) incorporated in new internally promulgated PFM diagnostic instruments (i.e. PEFA, FTE, PIMA etc) and (iv) the phased introduction of the new IMF results based management system.

Commencing the transition towards the new RBM framework for PFM in FY17 makes sense as:

- the new RBM framework addresses many of the evolving strategic concerns in relation to PFM;
- the current results framework is largely based on the existing PEFA assessment framework and it is therefore relatively straightforward to map current PFM outcomes and milestones to the strategic objectives and outcomes in the revised PEFA based results framework;

Table 7. Public Financial Managment: FY17 Allocation of resources (in field person-weeks) and number of milestones by country

	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Outcome 5	Outcome 6	Reserve	Total	Number of Milestones	
	Plan/ Rev	Plan/ Rev	Plan/ Rev	Plan/ Rev	Plan/ Rev	Plan/ Rev	Plan/ Rev	Plan/ Rev	Set for FY17	Set for FY18
Angola	10							10		2
Botswana	10		5					15	1	2
Comoros	5			5				10		2
Lesotho	8				5			13		3
Madagascar	13	3						16	1	2
Mauritius	12		5					17	2	1
Mozambique	4		3	3				10	2	1
Namibia	7		3		4			14	3	1
Reserve							5	5		
Seychelles	3		4			3		10	2	1
South Africa	12							12	1	1
Swaziland	6		4					10	1	1
Zambia	9		3	3				15	2	2
Zimbabwe	5		8	5				18	3	
Regional 1/					30			30	4	
Grand Total	104	3	35	16	39	3	5	205	22	19

Outcome 1 Comprehensive, credible and policy based budget preparation
Outcome 2 Improved Budget Execution and Control
Outcome 3 Improved coverage and quality of fiscal Reporting
Outcome 4 Improved integration of asset and liability framework
Outcome 5 Improved laws and more effective PFM institutions
Outcome 6 Strengthen identification , monitoring and management of fiscal risks
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff

- future PEFA assessments will be based on the performance indicators drawn from the new PEFA framework and these can also be used to assess milestone progress. Again it is possible to revise and link existing milestones to a revised set of new PEFA performance indicator related milestones.
- Achieving the agreed FY12-17 outcomes and facilitating transition management will require continued AFS investment during FY17 for key priority PFM challenges in:
- Namibia, Lesotho, and Swaziland: to finalize development of their legal and regulatory frameworks;
- Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Zambia, and Zimbabwe: to facilitate improved production and monitoring of country medium term fiscal framework (MTFF);
- Comoros, Madagascar, Mozambique, Swaziland, and Zambia: to strengthen cash and expenditure control;
- Mauritius and Seychelles: to improve fiscal risk management and monitoring of SOEs.
- Botswana, Mauritius, Mozambique, Seychelles, Swaziland, Zambia, and Zimbabwe: to support more timely and comprehensive production of Financial Statements that are progressively more consistent with recognized international accounting standards.
- South Africa: to provide further support to help strengthen the Parliamentary Budget Office and to support the public expenditure review, particularly in relation to public investment.

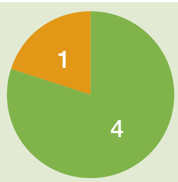
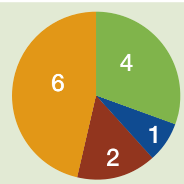
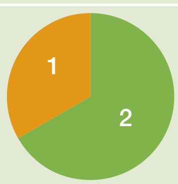
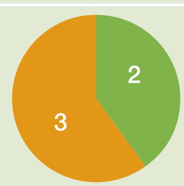
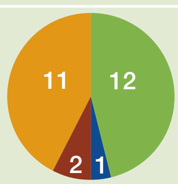
The work program for FY17 also shows the links between the new and old PEFA assessment framework for outcomes and milestones (Annex II). The AFS work plan for PFM provides for 205 field person-weeks of TA in FY17 to implement activities related to those outcomes and milestones (Table 7).

Tax Administration

Execution of FY16 work plan

Good progress has been made in delivering technical assistance in tax administration despite a slow start in the first quarter. TA delivery in some countries has seen a departure from the initial assumptions mainly due to a change in priorities. For example, in Angola, priorities

Table 8. Tax Administration: Summary Status of Milestones by Outcome at end of FY16

Medium-Term Outcome in the Log Frame			
Barriers to trade are diminished and progress in regional harmonization with international best practice achieved		Enhanced collections from improved and cost-effective administrations and strengthened compliance	
Diagnostic		More efficient and effective organizational structures	
Grand total			

Legend:	
(green)	Met
(blue)	Partially met
(red)	Good progress
(orange)	Postponed, no progress, or cancelled

Source: AFS Staff.

changed from the initial plan after the merger of Tax and Customs to form the Administração Geral Tributária (AGT), and in Madagascar a follow-up to a diagnostic mission was replaced with the design of a compliance risk-management framework.

Of 26 milestones, 12 were met (Angola, Botswana, Lesotho, Seychelles, Swaziland, Zimbabwe; and professional attachments, regional coordination, and regional seminar), 1 milestone (Namibia) was partially met, and 2 milestones (Madagascar, Zimbabwe) were in good progress (Table 8 and Annex I). The remaining milestones were postponed or cancelled mainly due to changes in countries' priorities.

Progress towards the outcomes set included addressing poor filing compliance for self-assessment with the new filing compliance methods taking root and an emerging approach to systematic risk analysis. A compliance model was designed for Lesotho and is ready for implementation; data mining and analysis techniques were introduced in Zimbabwe and the auditors have begun to use the tools; first steps were taken in Namibia on audit cases implemented directly by staff and there is progress towards the establishment of a revenue authority (see also peer learning for Botswana and Namibia on large taxpayer offices – Box 2); initial efforts were made on developing risk-based approaches for audit case selection in Madagascar; a reform and development path was mapped for revenue administration in Angola and Botswana; and improvements were made in the functioning of the Botswana large taxpayer office.

Planned inputs on legal aspects were delayed as AFS awaited responses from the authorities (Botswana,

Table 9. Tax Administration--Resource Allocation for FY16, in field person-weeks

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total	
	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.
Angola					2	0	0	1			2	1
Botswana			4	6	2	0	3	3			9	9
Comoros			0	0			4	0			4	0
Lesotho					3	6					3	6
Madagascar					2	2	5	0			7	2
Mauritius					2	0					2	0
Mozambique					2	0					2	0
Namibia					3	8	2	0			5	8
Reserve									6	0	6	0
Seychelles			4	6							4	6
Swaziland					7	7					7	7
Zambia					4	0					4	0
Zimbabwe					3	8					3	8
Regional 1/	3	7									3	7
Grand Total	3	6.5	8	12	30	31	14	4	6	0	61	54

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved.
Outcome 2 Diagnostic
Outcome 3 Enhanced collections from improved and cost-effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures
1/ Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff

Box 2. Peer learning for large taxpayer offices

AFS organized a professional attachment of one official each from the Botswana and Namibia large taxpayer offices (LTOs) to visit the Zambia Revenue Authority (ZRA) for four weeks. Germany provided funding separately for this initiative.

The two officials observed all key processes in the large taxpayer directorate, the program management directorate, and the information technology department, which familiarized them with the integrated tax administration system. From the participants' reports, this attachment achieved its objective of enabling peers to benchmark their own practices against those of the ZRA, identify performance gaps, and learn of approaches to help bridge the gaps for improving effectiveness and efficiency in their respective LTOs.

Madagascar, Mauritius, Namibia, and Zambia). The volume of TA reached 54 field person-weeks (Table 9). Owing to increased revenue volatility in the SACU region, mainly on account of expected declines in collections from customs and excise operations, it is imperative for AFS to provide support in the region to bolster domestic revenues and improve domestic excises through improved controls and audit processes. This will be a focus of support in phase II of AFS technical assistance support.

Regional Organizations

AFS resident advisors met with the Executive Secretary (ES) of ATAF in early February 2016 to explore areas for collaboration that would help coordinate activities and ensure the effective use of the limited available resources for building capacity in revenue administrations. The advisors also presented to the ES the recently developed RA-FIT, which is a tool for improving the measurement of performance and for better integrating performance management frameworks in revenue administrations.

Overview of work program for FY17

In FY17 there will be broadly a continuation of activities, with a resource shift towards enhancing collections from improved and cost-effective administration and strengthened compliance. Focus will be on the activities required to build the capacity of administrations in implementing and managing effective processes for nurturing and sustaining voluntary taxpayer compliance.

Comoros and Namibia will still need support in organization structural reform issues: Comoros to implement a semi-autonomous tax administration agency (AGID) for which milestones have been missed; and Namibia, legal and technical support needed for taking the necessary steps towards setting up a revenue authority (Table 10).

Customs Administration

Execution of FY16 work plan

Although there was a change of Advisor four months into the financial year, the volume of TA delivered increased

Table 10. Tax Administration: FY17 Allocation of Resources (in field person-weeks) and number of milestones by country

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total		Number of Milestones	
	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Plan	Rev	Set for FY17	Set for FY18
Angola					2	2					2	2	1	
Botswana					3	6					3	6	1	
Comoros			6	6			5	5			11	11	2	
Lesotho					4	4					4	4		1
Madagascar					4	4					4	4	1	
Mauritius					4	4					4	4		
Mozambique					2	4					2	4	2	
Namibia					4	4	5	5			9	9	1	1
Reserve									5	5	5	5		
Seychelles					4	4					4	4	1	
Swaziland					6	6					6	6	2	
Zambia					4	4					4	4	2	
Zimbabwe					7	7					7	7	2	
Regional [1]	6	7									6	7	4	
Grand Total	6	7	6	6	44	49	10	10	5	5	71	77	19	2

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved.
Outcome 2 Diagnostic
Outcome 3 Enhanced collections from improved and cost-effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff

FY17 inputs should lead to increased domestic revenue mobilization and further deepening of taxpayer segmentation in order to be able to address risks regarding taxpayer compliance in a more structured manner.

Box 3. Peer learning in customs

Professional attachment: AFS funded a month-long attachment of customs officers from Comoros and Madagascar to the Mauritius Revenue Authority (MRA). The objective was to expose them to regional best practices in customs administration and to help them play a more active role in the ongoing reform and modernization initiatives within their administration. The attachments involved supervised daily interaction with different departments and functional areas of the MRA on the techniques and systems of customs administration in place. The officials learned about both technical matters and policy choices and how change was implemented in Mauritius. Work areas included: post clearance audit (PCA) including valuation, classification and origin; enforcement and investigation; risk management; airport operations; entry processing and assessments; suspended regimes; cargo examination; and use of technology.

Participation in AFS TA mission: Another peer learning initiative enabled a Customs manager from the MRA to be attached to AFS and bring his expertise to a partner country, share experience, and be exposed to good customs practices both in the region and internationally. This was achieved through his participation in a Risk Management mission to the Lesotho Revenue Authority (LRA) which was agreed by the respective Commissioner Generals LRA and MRA.

relative to the initial plan. . The focus of the program was primarily to strengthen and build capacity in three key work areas namely: (i) Risk Management; (ii) Post Clearance Audit (PCA); and (iii) Excise.

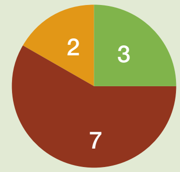
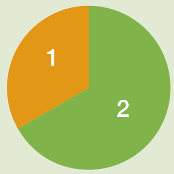
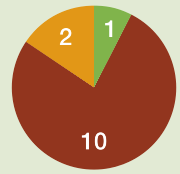
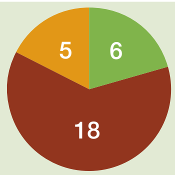
TA assignments in FY16 have led to more developed and capable risk management teams able to better balance compliance and trade facilitation in Botswana, Lesotho, Namibia, Seychelles, Zambia and Zimbabwe; Post Clearance Audit teams have become more advanced and are conducting importer system audits in Lesotho, Madagascar, Seychelles, Swaziland and Zimbabwe; and Excise controls of airtime, the petroleum sector and other excisable goods enhanced in Comoros, Namibia, Seychelles, and Zimbabwe.

Execution of the Customs Administration work plan also resulted in delivery of three regional initiatives namely: (i) peer learning through professional attachments and participation on an AFS mission as an observer of an AFS member country official (Box 3); and (ii) a regional seminar on Coordinated Border Management. The seminar brought together senior Customs officials from Revenue Administrations in the region for both knowledge sharing and peer-to-peer exchange of ideas and experiences to streamline border inspections, documentation and collection of various taxes and other charges. There were several presentations made including from SADC, Mauritius Revenue Authority (MRA), and the Ministry of Agro Industry and Food Security, Mauritius.

The FY16 activities also supported upgrading and strengthening customs legislation in the region specifically in Comoros and Mauritius. In Comoros the legal support centered on reviewing the Customs Code to ensure that it was brought into line with the COMESA Customs Code of the Common Market (CDC). The CDC is a set of principles and rules relating to customs and reflects international good practice. The draft Comoros Customs Code was finalized with TA support in preparation for presentation to Parliament. The TA provided to the MRA supported the review of the Customs legislation to ensure that the Customs laws are in harmony with the recently drafted Revenue Administration Act (RAA). The MRA is in the process of consolidating its revenue collection legislation in one piece of legislation, the RAA, currently the Revenue Administration Bill (RAB), which AFS helped draft.

Further, AFS funded and participated in a FAD revenue administration diagnostic mission to the Seychelles Revenue Commission (SRC) and a FAD customs administration diagnostic mission to Swaziland Revenue Authority (SRA). These missions advised the authorities on the customs administration reform strategy and program, which will also help to establish AFS TA program priorities going forward. A summary of the progress against the key outcomes set is given in Table 11 with additional details in Annex I. Table 12 shows the resource allocation in customs administration for FY16.

The FY16 activities also supported upgrading and strengthening customs legislation in the region specifically in Comoros and Mauritius. In Comoros the legal support

Table 11. Customs Administration: Summary Status of Milestones by Outcome, at end of FY16			
Medium-Term Outcome in the Log Frame			
Barriers to trade are diminished and progress in regional harmonization with international best practice achieved		Enhanced tax and customs collections from improved and cost effective administrations and strengthened compliance	
Diagnostic		More efficient and effective organizational structures	
Grand total			

Legend:

(green)	Met
(blue)	Partially met
(red)	Good progress
(orange)	Postponed, no progress, or cancelled

Source: AFS Staff.

centered on reviewing the Customs Code to ensure that it was brought into line with the COMESA Customs Code of the Common Market (CDC). The CDC is a set of principles and rules relating to customs and reflects international good practice. The draft Comoros Customs Code was finalized with TA support in preparation for presentation to Parliament. The TA provided to the MRA supported the review of the Customs legislation to ensure that the Customs laws are in harmony with the recently drafted Revenue Administration Act (RAA). The MRA is in the process of consolidating its revenue collection legislation in one piece of legislation, the RAA, currently the Revenue Administration Bill (RAB), which AFS helped draft.

Further, AFS funded and participated in a FAD revenue administration diagnostic mission to the Seychelles Revenue Commission (SRC) and a FAD customs administration diagnostic mission to Swaziland Revenue Authority (SRA). These missions advised the authorities on the customs administration reform strategy and program, which will also help to establish AFS TA program priorities going forward. A summary of the progress against the key outcomes set is given in Table 11 with additional details in Annex I. Table 12 shows the resource allocation in customs administration for FY16.

Owing to increased revenue volatility in the SACU region, mainly on account of collections from customs and excise operations it is imperative for AFS to provide support in the region to bolster trade and domestic revenues through improved controls and audit processes, without impeding trade facilitation and regional integration.This will be a focus of support in the next phase of AFS technical assistance support.

Overview of work program for FY17

Customs administrations in the region remain essential to government revenue yield and the focus of the work program in FY17 will be to continue supporting strengthened compliance and better trade facilitation to promote and encourage inward investment. Implementing the various regional trade agreements and the World Trade Organization (WTO) Bali Trade Facilitation Agreement will be a key challenge for custom administrations together with supporting the region in

Table 12. Customs Administration--Resource Allocation for FY16, in field person-weeks

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total	
	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.
Angola	2	2									2	2
Botswana					3	4					3	4
Comoros				0	1	1	2	5			3	6
Lesotho					1	1	2	2			3	3
Madagascar					2	1	2	4			4	5
Mauritius					1	0	2	3			3	3
Mozambique							2	0			2	0
Namibia					1	1	2	4			3	5
Reserve									5	0	5	0
Seychelles			4	4	1	1	4	3			9	8
Swaziland			4	6	1	1	2	2			7	9
Zambia					2	1	2	2			4	3
Zimbabwe					2	1	4	4			6	5
Regional 1/					1	5					1	5
Grand Total	2	2	8	10	16	17	24	29	5	0	55	58

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved.
Outcome 2 Diagnostic
Outcome 3 Enhanced tax and customs collections from improved and cost effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff.

Table 13. Customs Administration: FY17 Allocation of Resources (in field person-weeks) and number of milestones

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total		Number of milestones	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	set for FY17	set for FY18
Angola	5	5									5	5		1
Botswana					1	1					1	1		1
Comoros				4	3	3	4	4			7	11	3	
Lesotho					2	2	2	2			4	4	2	
Madagascar					3	3	2	2			5	5	2	
Mauritius							2	2			2	2	1	
Mozambique							2	2			2	2	1	
Namibia					6		2	4			8	4		3
Reserve									6	2	6	2		
Seychelles	0	1			4	7	1	3			5	11	3	2
Swaziland					4	4	2	2			6	6	1	1
Zambia					9	9	2	2			11	11	3	
Zimbabwe					3	3	2	2			5	5	1	1
Regional 1/	4	6									4	6	1	
Grand Total	9	12	0	4	35	32	21	25	6	2	71	75	18	9

Outcome 1 Barriers to trade are diminished and progress in regional harmonization with international best practice achieved.
Outcome 2 Diagnostic
Outcome 3 Enhanced tax and customs collections from improved and cost effective administrations and strengthened compliance
Outcome 4 More efficient and effective organizational structures
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff.

boosting trade and domestic revenues through improved controls and audit processes, without impeding trade facilitation and regional integration.

Consequently, the Customs AFS work plan will be concentrated on maximizing revenue, facilitating trade and regional integration by providing TA to and strengthen systems and procedures and build capacity in risk management, control of the tax base (valuation, tariff classification), post clearance audit, enforcement (mobile anti-smuggling, intelligence and investigation), supporting widening the tax base e.g. implementing excise duty on alcohol and tobacco products and airtime, and the law. The proposed Customs work plan for FY17 can be achieved with a small increase in resource allocation over the FY16 level (Table 13).

Regional Organizations

AFS will coordinate, not only with the donor community, but with other organizations including the WCO, SADC, COMESA, SACU to support key regional issues like the deepening of the integration of countries which in customs embraces the development of common procedures and regulations. Custom administrations in the AFS region would gain much benefit from increased mutual assistance including the sharing of operational intelligence to enhance trader compliance and enforcement of laws e.g. to combat transit fraud. AFS has developed positive and harmonious working partnerships with these regional bodies.

Peer Learning

AFS will hold a seminar for senior Customs officials from Revenue Administrations in the region for both knowledge sharing and peer-to-peer exchange of ideas and experiences to improve integrity in Custom administrations. The objectives of this seminar would be to: (i) Identify and discuss concerns of integrity in Customs; (ii) Review implementation status of the Arusha Declaration on Customs integrity; (iii) Review Codes of Conduct in member countries' legislation; and (iv) develop an effective regional integrity strategy and action plan. The FY17 plan also provides for additional peer learning initiatives in the customs area.

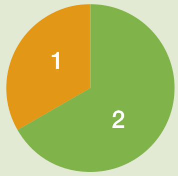
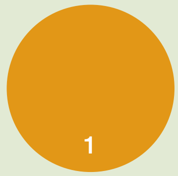
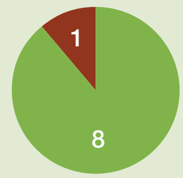
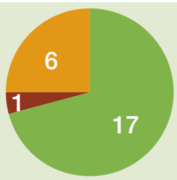
Financial Sector Supervision

Execution of FY16 work plan

Reasonable progress was made in delivering TA in the area despite the transition of the resident advisor. TA inputs in FY16 supported robust, resilient and non-disruptive financial systems in the member countries. It has led to progress in achieving compliance with best international norms relating to capital adequacy, supervisory practices, Basel Core Principles for effective supervision and financial stability in recipient countries. These included implementation of risk based supervision with key focus on money laundering (ML) and financing of terrorism (FT) related risks in Seychelles, implementation of Basel II in Lesotho and Mozambique, and development of a granular road map towards implementing select elements of Basel III in Namibia and Zambia (see also Box 4 for peer learning initiative for Namibian and Zambian supervisors). In addition, some initial steps have been taken in Swaziland for conducting stress tests by developing a stress-testing methodology. The two regional seminars conducted under the topics "Promoting Financial Stability through Stronger Legal and Institutional Frameworks" and "Stress Testing in Banks as a Risk Management Tool" have contributed significantly towards peer learning, addressing regional harmonization issues, and strengthening institutional and

Box 4. Peer learning in implementing Basel III

AFS organized a two-week attachment of two officials, one each from the Namibian and Zambian Bank Supervision Departments, to the Bank of Mauritius for on-the-job training relating to the implementation of Basel III. The objective of this initiative was to give the participants intensive exposure in the area of formulating a roadmap, an implementation schedule, and draft guidelines relating to Basel III. The officials learned about different aspects of Basel III such as Definition of Capital, Leverage Ratio, Liquidity Requirements, and Capital Buffers, with specific focus on the way in which Mauritius is planning to implement these elements. A detailed program for the attachment included daily interaction with the senior executives of the Bank Supervision Department at the Bank of Mauritius. As both Namibia and Zambia have embarked upon the implementation of select elements of Basel III, the peer learning experience provided significant benefits by enhancing the skills of the officials, which is likely to facilitate a smooth implementation in their jurisdictions by focusing on practical aspects of the process.

Table 14. FSS: Summary Status of Milestones by Outcome as at end of FY16			
Medium-Term Outcome in the Log Frame			
Adoption of macroprudential approach to supervision and systemic risk assessment framework		Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision	
Diagnostic		Higher levels of compliance with the Basel I Capital Adequacy Framework, including requirement for capital charge for market risk and for some middle income countries, with the Basel II or III Capital Adequacy Framework	
Greater cross border communication and cooperation among the supervisory authorities in the region, as a way to foster regional financial stability		Implementation of / improvement in risk based supervision (RBS) frameworks, with clear onsite and off site supervisory methodologies and risk assessment criteria	
Grand Total			

Legend:	
(green)	Met
(blue)	Partially met
(red)	Good progress
(orange)	Postponed, no progress, or cancelled

Source: AFS Staff.

Table 15. FSS–Resource Allocation for FY16, in field person-weeks

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Outcome 5		Outcome 6		Reserve		Total	
	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.
Angola		2	6												6	2
Botswana							2								2	
Comoros											4	2			4	2
Lesotho									4	2	2	3			6	5
Madagascar							6								6	
Mauritius	4						4					5			8	5
Mozambique							2								2	
Namibia									4	3					4	3
Reserve													9		9	
Seychelles										3	8	6			8	9
Swaziland								2			4	4			4	6
Zambia	4	2										3			4	5
Zimbabwe							6								6	
Regional 1/					7	13	4	4							11	17
Grand Total	8	4	6		7	13	24	6	8	8	18	23	9		80	54

Outcome 1 Adoption of macroprudential approach to supervision and systemic risk assessment framework
Outcome 2 Diagnostic
Outcome 3 Greater cross border communication and cooperation among the supervisory authorities in the region , as a way to foster regional financial stability
Outcome 4 Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision
Outcome 5 Higher levels of compliance with the Basel I Capital Adequacy Framework, including requirement for capital charge for market risk and for some middle income countries, with the Basel II or III Capital Adequacy Framework
Outcome 6 Implementation of / improvement in risk based supervision (RBS) frameworks, with clear onsite and off site supervisory methodologies and risk assessment criteria
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff.

Table 16. FSS: FY17 Allocation of Resources (in field person-weeks) and number of milestones

	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Outcome 5	Reserve	Total	Number of milestones	
	Plan/Rev	Plan/Rev	Plan/Rev	Plan/Rev	Plan/Rev	Plan/Rev	Plan/Rev	set for FY17	set for FY18
Angola	5						5	1	
Botswana			3		4		7	1	
Comoros					4		4	1	
Lesotho				4			4	1	
Madagascar			6				6		1
Mauritius			4		4		8		
Mozambique			2				2	1	
Namibia				4			4		1
Reserve						8	8		
Seychelles	4						4	1	
Swaziland				3			3	1	
Zambia					4		4	1	
Zimbabwe			4				4		
Regional 1/		11					11	3	
Grand Total	9	11	19	11	16	8	74	11	2

Outcome 1 Adoption of macroprudential approach to supervision and systemic risk assessment framework
Outcome 2 Greater cross border communication and cooperation among the supervisory authorities in the region , as a way to foster regional financial stability
Outcome 3 Higher levels of compliance with the Basel Core Principles for Effective Banking Supervision
Outcome 4 Higher levels of compliance with the Basel I Capital Adequacy Framework, including requirement for capital charge for market risk and for some middle income countries, with the Basel II or III Capital Adequacy Framework
Outcome 5 Implementation of / improvement in risk based supervision (RBS) frameworks, with clear onsite and off site supervisory methodologies and risk assessment criteria
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff.

human capacity in core areas of financial sector supervision. They have contributed towards key outcomes set as summarized in Table 14 and detailed in Annex I.

In FY16 AFS accommodated some additional TA following changes in country priorities. In Angola the authorities requested assistance in the area of macroprudential supervision including financial stability, instead of the diagnostic mission, and in Seychelles the priority has shifted from macroprudential supervision to full implementation of Basel II (Table 15). At the request of the Bank of Mauritius, the planned TA on the implementation of the macroprudential overlay of Basel III was substituted with a tailored workshop on strengthening the capacity of supervisors to conduct on-site-supervision. The Bank of Botswana has now requested TA in RBS and stress testing. The planned TA on legal matters was delayed as AFS awaited responses from member countries (Botswana, Madagascar, Mauritius, and Zimbabwe). In Madagascar the legal financial sector TA was contingent on the follow up from the recent FSAP whereas in Botswana the authorities linked it to progress made in amending the existing banking law. The volume of TA in FY16 remained broadly in line with the revised plan circulated to the SC in March 2016 (Table 15 and Annex I).

At end-FY16, out of 24 milestones, 17 were met, one was in good progress, two were postponed while four were cancelled due to reprioritization requests from the authorities.

Overview of work program for FY17

During FY17 there will be expansion of TA to strengthen risk based supervision, as well as assisting countries to adopt new international regulatory standards such as Basel II and Basel III (Comoros, Swaziland, Mauritius, Namibia, and Botswana).

Certain countries like Angola, Zambia and Seychelles will need support in implementing macroprudential approach to supervision. Another growing area of TA is related to assessing systemic risks to financial systems and identifying measures to mitigate these risks. There is increased awareness among the countries towards promoting financial stability which has become an implicit/explicit policy objective of the regulator. TA on stress testing, systemic risk analysis and developing financial stability framework and reporting will be a key component of the FY 17 work program in Mauritius, Zambia and Zimbabwe.

FY17 inputs should lead to strengthening the institutional framework at the member countries with a view to promoting financial stability and benchmarking the regulatory/supervisory practices to the best international standards/norms (Table 16).

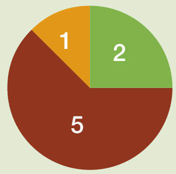
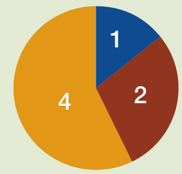
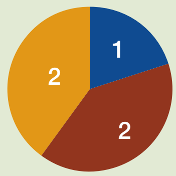
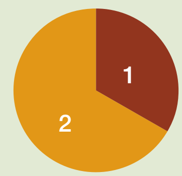
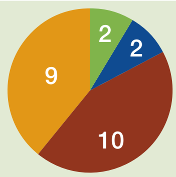
Monetary Policy Framework Operations

Execution of FY16 work plan

The delivery of TA in the area of monetary policy framework operations was broadly on track. The focus of the program was primarily on strengthening and building capacity in the following areas: liquidity management and forecasting; inflation modeling and forecasting; reviewing electronic payment systems regulations in place; and developing primary and secondary markets.

TA assignments in FY16 led to more developed and capable modeling and forecasting teams at the central banks, able to better forecast inflation, consider risks and formulate policy in Angola, Botswana, Madagascar, Mauritius, Mozambique, and Seychelles. The level of development in these countries differs mainly due to when this TA was first introduced. In general the teams have become more familiar with economic and econometric models, with economic fundamentals and with programming in different software. In the more advanced cases (Mozambique and Botswana) the teams now regularly produce a forecast using a core model and present an internal, and in some cases, also an external report on a quarterly basis. In the less advanced cases (Angola, Seychelles, and Madagascar) the teams work together with the experts to develop economic models suited for their respective economies and monetary policy frameworks.

TA in the area of liquidity management and forecasting led to improved monetary policy implementation in countries such as Angola, Madagascar, and Seychelles. TA focused on developing the frameworks for monetary policy implementation, managing liquidity and the optimal use and combination of different implementation tools. These countries all have a monetary targeting framework but are also in the process of modernizing and shifting their frameworks to focusing increasingly on a policy rate. TA has therefore focused on guidance during this transition period. Their capacity to manage liquidity conditions and limit volatility in short-term interest rates has improved as well as their ability to forecast liquidity needs.

Table 17 MPFO: Summary Status of Milestones by Outcome at end of FY16			
Medium-Term Outcome in the Log Frame			
A firm grasp of the monetary transmission mechanism		**Coherent approach to monetary policy formulation**	
Appropriate instruments of monetary operations		**Deeper and more efficient primary and secondary money markets**	
Grand Total			

Legend:

(green)	Met
(blue)	Partially met
(red)	Good progress
(orange)	Postponed, no progress, or cancelled

Source: AFS Staff.

Table 18. MPFO--Resource Allocation for FY16, in field person-weeks

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.
Angola	8	12	8	0							16	12
Botswana	4	9			2	1					6	10
Lesotho			2	1							2	1
Madagascar	0	4	10	4	6	4	14	1.5			30	13.5
Mauritius	6	4			0	1					6	5
Mozambique	12	4			4	5					16	9
Regional					0	0					0	0
Reserve									12	0	12	0
Seychelles	8	6	12	10.5	6	0					26	16.5
South Africa	2	2									2	2
Zambia	2	0			10	8					12	8
Zimbabwe					2	0					2	0
Grand Total	42	41	32	15.5	30	19	14	1.5	12	0	130	77

Outcome 1 A firm grasp of the monetary transmission mechanism
Outcome 2 Appropriate instruments of monetary operations
Outcome 3 Coherent approach to monetary policy formulation
Outcome 4 Deeper and more efficient primary and secondary money markets
Source: AFS Staff

Table 19.MPFO: FY17 Allocation of Resources (in field person-weeks) and number of milestones by country

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Reserve		Total		Number of Milestones	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Set for FY17	Set for FY18
Angola	6	6	4	4							10	10	1	1
Botswana	3	3	0	3	4	5					7	11	2	2
Lesotho			0	2							0	2	1	
Madagascar	7	7	12	12	4	4	4	4			27	27	3	5
Mauritius	6	6	2	2							8	8	2	
Mozambique	12	12			4	4					16	16	2	
Namibia			0	3							0	3	1	
Reserve									16	4	16	4		
Seychelles	4	4	0	2	4	4	2	2			10	12	2	3
South Africa	1	1									1	1	1	
Swaziland			0	3							0	3		1
Zambia	6	6			4	4					10	10	1	1
Zimbabwe					4	4					4	4		
Regional 1/	1	1	7	7	3	3					11	11	4	
Grand Total	46	46	25	38	27	28	6	6	16	4	120	122	20	13

Outcome 1 A firm grasp of the monetary transmission mechanism
Outcome 2 Appropriate instruments of monetary operations
Outcome 3 Coherent approach to monetary policy formulation
Outcome 4 Deeper and more efficient primary and secondary money markets
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff

Execution of the monetary policy framework operations work plan also resulted in TA delivery in the areas of: (i) central bank communication; (ii) foreign exchange markets functioning; and (iii) business survey development. AFS partly funded and participated in a diagnostic mission to the central bank of Madagascar on strengthening monetary policy implementation. Of the 23 milestones set, 2 were met, 2 were partially met, 10 were in good progress, 8 were postponed, and 1 was cancelled. Table 17 and Annex I provide the status the milestones set against each outcome set. Table 18 shows the resource allocation for FY16.

Overview of work program for FY17

The aim for the last year of phase I will be to continue to support strengthened forecasting and analytical capacity with the purpose of achieving better informed monetary policy decisions. Inflation forecasting and modeling in AFS countries is essential to central bank development and remains the focus of the work program in FY17. Implementing the hybrid regimes in the countries in a transition period, i.e., modernizing monetary policy frameworks through enhanced monetary policy analysis, enhanced use of policy rates and, for some countries, moving from monetary targeting to inflation targeting poses a key challenge for the central banks. Communication is another challenge and will also be a priority for FY17. As central banks modernize and become more transparent the need for improved communication has amplified. Legislation and regulations need to be improved in some AFS countries as well as payment systems, including payment system oversight.

The resource allocation for monetary operations in FY16 included a lot of carry-over from FY15 due to the lack of a resident advisor for most of that period. The FY17 monetary operations plan provides for an increase mainly to fast track projects and to support additional TA on financial market infrastructure and payments (Table 19).

Regional

In May 2016 AFS held a regional seminar on Monetary Policy Communication which had been planned for late FY16. The seminar was designed for staff involved in preparing the internal and/or external monetary policy reports and covered key emerging issues in communication: building up a communications unit, communication strategy and policy, the different tools to use for external communication, and the internal communication and work processes. A seminar on Evolving Monetary Policy Frameworks in Low-Income

Table 20. RSS--Resource Allocation for FY16, in field person-weeks

	Outcome 1		Outcome 2		Outcome 3		Reserve		Total	
	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.
Angola	3	4			1	0			4	4
Botswana	2	2			1	1			3	3
Comoros	2	1			1	0			3	1
Lesotho	6	7			1	1			7	8
Madagascar	2	4	0	1	1	0			3	5
Mauritius	2	2			1	0			3	2
Mozambique	2	0							2	0
Namibia					2	0			2	0
Reserve							5		5	
Seychelles	2	4							2	4
Swaziland	4	4							4	4
Zambia					5	4			5	4
Zimbabwe	0	2							0	2
Regional 1/	4	6			2	2			6	8
Grand Total	29	36	0	1	15	8	5	0	49	45

Outcome 1 Compilation and dissemination of annual and quarterly national accounts following international standards
Outcome 2 Diagostic
Outcome 3 Improved accuracy of price statistics
[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.
Source: AFS Staff

and Other Developing Countries is also planned in FY17 targeting central bank staff and management working in this area.

Real Sector Statistics

Execution of FY16 work plan

With the departure of one of the two advisors in June 2015 and the replacement of the remaining advisor in August 2015, AFS TA was marginally lower than in FY15 at about 45 field person-weeks in FY16 (Table 20). The projected allocation of resources for FY16 by country was somewhat different from the initial plan in order to take into account emerging priorities. For example, AFS re-engaged actively with Madagascar on both national accounts and price statistics. One measure taken is to increase flexibility in the TA delivery is to reserve resources in the initial work program to meet eventual additional needs from the country recipients for completing ongoing projects or launching new activities.

In FY16 AFS assisted in rebasing the GDP time series (in Lesotho and Swaziland) and enhancing benchmark or post benchmark GDP estimates (Angola, Madagascar). The second focus of the TA in national accounts was the development or improvement of quarterly national accounts (in Seychelles and Zambia, but also in Angola and Zimbabwe). These developments were also supported by one workshop on high frequency indicators in December 2015 immediately followed by a workshop on quarterly national accounts statistics.

In more advanced countries such as Mauritius, the AFS has assisted with the development of financial statistics and balance sheets. Progress on outcomes set for phase 1 (Table 21) is on track to be fully achieved by end-FY17. Annex I provides further details on progress against the milestones set.

TA on price statistics focused on the improvement or development of the CPI and PPI in Botswana and Lesotho. AFS also supported the development of import and export price indices where relevant with the conduct of a dedicated workshop in March 2016. In order to develop cooperation between statistical offices, AFS organized and funded a professional attachment of two national accountants (Box 5).

In close collaboration with the IMF African department, AFS will continue to advocate before the respective government authorities for greater support for development of national accounts and price statistics. The high-level meeting held in Ghana in February 2016 supported this objective.

The following results were achieved by end-April 2016:

- Rebased annual GDP time series in Lesotho and Swaziland;
- Enhanced regular GDP compilation in Zambia;

Box 5. Peer learning for national accountants

AFS funded an attachment of two statistical officers from Madagascar to Statistics Mauritius (SM). It helped the officials to interact with the national account team at SM on methodological issues, data sources and collection, rebasing techniques, and to discuss the Statistics Act of Mauritius. Mauritius complies with the Special Data Dissemination Standards (SDDS) requirements and is working towards SDDS Plus. The program thus complemented ongoing technical assistance to Madagascar in the area of national account statistics and contributed towards objectives set by regional organizations like SADC, COMESA and the African Union on statistics. The program is expected to help increase collaboration between statistical agencies in the region and bring about much needed improvement in the quality of statistics in the region.

- Enhanced system for quarterly GDP by expenditure estimates in Seychelles;
- Work plan for rebased CPI in Botswana;
- New benchmarks to support the rebase of national accounts statistics in 2007 prices in Madagascar.

Overview of work program for FY17

AFS will continue to assist member countries in improving national accounts statistics with a focus on rebasing national accounts in constant price estimates, developing quarterly GDP estimates, and improving existing methodologies (Table 22). In Mauritius where national accounts statistics are more advanced, AFS will continue to support the development of financial statistics and balance sheets. TA in price statistics will concentrate on improving the coverage of the CPI, developing PPIs, and where appropriate, support the development of import and export price indices or residential property price indices.

These objectives align with the result-based management (RBM) framework which was redesigned in 2015 and harmonized across all RTACs to better monitor statistical support provided by the IMF. The new RBM framework will be implemented during phase II of AFS.

Regular rebasing of constant price GDP estimates is essential to maintain a relevant pattern of relative prices. In practice, the rebasing exercise also provides an opportunity to implement necessary methodological changes and expand/improve sources data such as household or business surveys. These developments require extensive TA and need to be planned in advance. During FY17 rebases will be started in several countries in the region including Madagascar and Seychelles. Other countries where rebases were almost complete at the end of FY16 such as Lesotho and Swaziland may require further follow-up including for the development and improvement of compilation processes.

Quarterly GDP estimates enable contemporary tracking of the economy and therefore improve decision making. Developing quarterly GDP estimates is another area of development for countries where data sources and resources are available regularly. Plans to develop or improve quarterly estimates will continue in Angola, Botswana, Lesotho, Madagascar, Namibia, Seychelles, and Zambia.

In prices statistics the focus will be on improving the CPI in Comoros, and Madagascar and developing a PPI in Lesotho, Namibia and Zambia as well as a real estate property price index in Mauritius and an export and import price index in Angola.

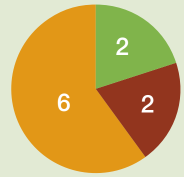
AFS' provision of training in macroeconomic statistics will continue to be a key aspect of the work program with training courses on national accounts and price statistics as well as regular hands-on training during in-country missions.

Table 21. RSS: Summary Status of Milestones by Outcome as at end of FY16

Medium-Term Outcome in the Log Frame

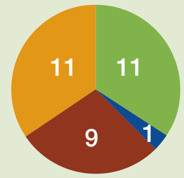
Compilation and dissemination of annual and quarterly national accounts following international standards

Improved accuracy of price statistics



Diagostic

Grand Total



Legend:

- Met (green)
- Partially met (blue)
- Good progress (red)
- Postponed, no progress, or cancelled (orange)

Source: AFS Staff.

Table 22 . RSS: FY17 Allocation of Resources (in field person-weeks) and number of milestones by country

	Outcome 1		Outcome 2		Reserve		Total		Number of Milestones	
	Plan	Rev.	Plan	Rev.	Plan	Rev.	Plan	Rev.	Set for FY17	Set for FY18
Angola	6	6	1	1			7	7	2	
Botswana	3	3					3	3	2	
Comoros	1	1	1	1			2	2	1	1
Lesotho	2	2	3	3			5	5	1	1
Madagascar	4	4	1	1			5	5	3	
Mauritius	2	2	1	1			3	3	1	1
Mozambique	2	2	2	2			4	4	1	1
Namibia	2	2	2	2			4	4		2
Reserve					4	4	4	4		
Seychelles	3	3					3	3	1	
Swaziland	3	3					3	3	2	
Zambia	2	2	2	2			4	4		2
Zimbabwe	3	3					3	3	1	
Regional [1]	4	4	3	3			7	7	4	
Grand Total	37	37	16	16	4	4	57	57	19	8

Outcome 1 Compilation and dissemination of annual and quarterly national accounts following international standards

Outcome 2 Improved accuracy of price statistics

[1] Includes seminars, courses, and peer-to-peer learning such as professional attachments, participation of AFS government officials in AFS TA missions, and participation of AFS resident advisers in regional events.

Source: AFS Staff

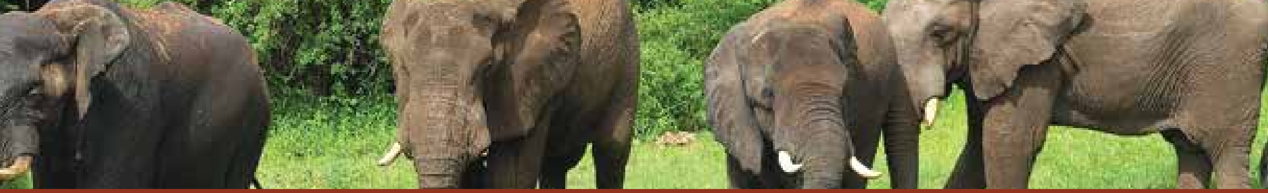
Section 8

Macroeconomic Training

In FY16 AFS conducted two planned courses: Financial Market Analysis and Macroeconomic Diagnostics. The courses are highly relevant for the region and the TA priorities. The financial market analysis course aimed at supporting TA on the development of money and secondary markets, as well as debt and fiscal sustainability issues. The macroeconomic diagnostics course continued to support TA on the MTFF and monetary policy framework operations.

In FY17, AFS plans to offer the same courses as in FY16, given their relevance and the objective of reaching a larger proportion of the targeted group in the region.

In addition free online IMF courses now provide a new channel for training delivery. The courses offered in the past included financial programming and policies, energy subsidy reform, debt sustainability analysis, and macroeconomic forecasting, which are all highly relevant for AFS countries. More information on forthcoming courses can be found on the IMF website at http://www.imf.org/external/np/ins/english/index.htm. Provision of logistical and IT support by country authorities to their staff could highly improve participation rates and help strengthen skills in these areas.



Budget and Fundraising Status

Outcome in FY16 and Budget for FY17

AFS expenses in FY16 amounted to $9.9 million, which reflects an increase of about 2 percent relative to FY15 (Table 23). This is in line with the volume of TA delivered and the number of seminars conducted in FY16. FY17 is projected to further expand TA delivery, especially with the introduction of TA on payments and financial market infrastructure and peer learning. In addition, AFS expects improved traction of TA delivery in some countries.

Fundraising Status

As of end-April 2016 contributions and pledges amounted to about $58 million, of which the IMF's contribution is estimated at about $4 million (Table 24). This reflects funding from the European Union (EU-African, Caribbean, and Pacific (ACP) region funds, EU-COMESA, and EU-SADC regional funds), the U.K. Department for International Development (DFID), Mauritius, Canada, Switzerland's State Secretariat for Economic Affairs (SECO), Germany, Australia, the

Table 23. AFS Operations and Financing, FY2012-17

	Budget			Actual Expenses			Budget
	6 years[1]	FY12[2]	FY13[2]	FY14	FY15	FY16	FY17
Expenditure	US$ Million	US$ Million	US$ Million	US$ Million	US$ Million	US$ Million	US$ Million
Field TA providers	30.8	2.1	3.7	5.7	5.8	5.9	7.5
Long-term advisors	12.1	1.2	1.8	2.1	2.2	2.3	2.4
Short-term experts	17.0	0.8	1.9	3.2	3.1	3.4	4.7
Diagnostic (IMF/HQ)	1.7	0.1	0.1	0.4	0.4	0.2	0.4
Seminars, Courses, and Peer Learning	4.9	0.2	0.7	1.1	0.6	1.0	1.3
Travel	4.3	0.3	0.6	0.8	0.8	0.6	1.0
Other	2.3	0.2	0.3	0.5	0.3	0.4	0.6
Evaluation	0.2	-	-	-	0.2	-	-
Other cost of delivery	2.4	0.2	0.3	0.4	0.4	0.5	0.5
Backstopping	1.8	0.1	0.2	0.4	0.4	0.4	0.3
Project management	0.6	0.1	0.1	0.1	0.1	0.1	0.2
Center Management	2.2	0.2	0.2	0.7	0.3	0.3	0.4
Subtotal	47.1	3.2	5.8	9.3	8.6	8.8	11.5
Trust Fund Management Fee	3.3	0.2	0.4	0.6	0.6	0.6	0.8
Total externally-funded cost	50.4	3.4	6.2	9.9	9.2	9.4	12.3
IMF-funded cost3	3.5	0.7	0.5	0.5	0.5	0.5	0.7
Total cost	53.9	4.1	6.7	10.5	9.7	9.9	13.0

1Scaled-up 6-year budget.
2Actual expenses corrected for errors in FY2012 and FY2013
3IMF-funded costs include start-up and office coordination costs.
Source: Institute for Capacity Development, April 30, 2016

FY17 is projected to further expand TA delivery, especially with the introduction of TA on payments and financial market infrastructure and peer learning. In addition, AFS expects improved traction of TA delivery in some countries.

African Development Bank, the European Investment Bank (EIB), and Brazil. Beneficiary countries, including Botswana, Lesotho, Madagascar, Namibia, Seychelles, South Africa, Swaziland, and Zimbabwe, also make financial contributions. This is a signal of the value that members place on AFS services. AFS staff continues to discuss financial contributions with the AFS member countries that have not signed contribution agreements.

Table 24. AFS: Status of financial contibutions for phase I as at end April 2016

	Pledged (in US dollars)	Status/LOU (date signed)	Pledged (in Contribution currency)	Contribution Received (in US dollars)	Expected Contributions (in US dollars)	Past Due (in US dollars)
Angola	0.25	3/27/15	0.25	0.00	0.25	0.25
AfDB	1.50	9/25/11	1.50	1.50	0.00	0.00
Australia	2.00	5/26/11	2.00	2.00	0.00	0.00
Botswana	0.25	1/3/12	0.25	0.25	0.00	0.00
Brazil	0.20	1/25/10	0.20	0.20	0.00	0.00
Canada	3.12	3/29/12	3.00	3.12	0.00	0.00
EIB	1.02	4/21/11	0.75	1.02	0.00	0.00
EU (ACP)	5.42	10/4/13	4.00	4.17	0.15	0.00
EU (COMESA)	9.82	10/5/11	7.34	9.82	0.00	0.00
EU (SADC)	6.56	7/23/13	5.00	6.56	0.00	0.00
Germany (GIZ)	2.43	11/9/12	1.88	2.43	0.00	0.00
Germany (GIZ)	0.18	12/10/14	0.15	0.18	0.00	0.00
Lesotho	0.25	2/28/14	0.25	0.20	0.05	0.05
Mauritius	4.95	3/18/11	4.95	4.95	0.00	0.00
Madagascar	0.11	4/9/15	0.11	0.11	0.00	0.00
Namibia	0.25	2/7/12	0.25	0.25	0.00	0.00
Seychelles	0.25	10/31/11	0.25	0.25	0.00	0.00
South Africa	0.25	9/26/12	0.25	0.25	0.00	0.00
Swaziland	0.25	3/14/13	0.25	0.20	0.05	0.05
Switzerland (SECO)	3.00	5/5/11	3.00	3.00	0.00	0.00
UK/DFID	11.05	3/30/11	7.00	9.47	1.46	0.00
Zambia	0.25	4/16/14	0.25	0.00	0.25	0.25
Zimbabwe	0.25	12/20/11	0.25	0.20	0.05	0.05
Subtotal	53.61			50.08	3.22	0.71
Phase I - Pledges - Pending						
Comoros	0.25		0.25		0.25	
Mozambique	0.25		0.25		0.25	
Subtotal pending signatures	0.50		0.50		0.50	
GRAND TOTAL*	54.11		0.50	50.08	3.82	0.71

* This table excludes IMF contribution of US$4.24 million.

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